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The Journal of SOCIAL, POLITICAL AND ECONOMIC STUDIES

Roger Pearson
General Editor

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Often Overlooked Considerations in Defense Planning

Robert C. Richardson III
High Frontier, Washington D.C.

Many military planners, strategists and even theoreticians tend to approach specific defense problems without first determining where these fit in the overall context of national security. Amateurs and non-military planners fail to understand many combat-related factors. They also tend to ignore common sense, historical experience, and basic principles of war if and when any of these interfere with what they would like to conclude.

At a time when the termination of the cold war and the emergence of new threats such as proliferation of ballistic missiles call for major changes in defense policy and strategy, everyone and his brother seems to be peddling advice on what the President, Congress and the Defense Department should now do in the field of national security. The purpose of this article is to suggest a few basic considerations that both professional defense planners, and amateurs who can't resist meddling, should take into consideration.

Looking at the Whole Picture

Major security issues should be seen as pyramids. At the top are the decision makers who are trying to understand all aspects of their pyramids, including where changes or repairs are needed. Under these are layers of building blocks that collectively make up the pyramid. Each layer's blocks control, manage, or direct the effectiveness of numerous lesser blocks below it. In other words, the pyramid is the forest and the blocks are the trees, bushes, grass and weeds that make it up.

Looked at in this context, major changes or adjustments in the overall establishment, the pyramid or forest, logically require an understanding of the role of each of the blocks that make up

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the total system and of how all of these interact.

Most military planners, being specialists on one or more blocks or trees and lacking both information and experience on the role of others, when given a problem grab a pencil and then zoom-lens in only on the areas they know something about. All too often they then assume that they can change, modify or repair each of these independently of all the others.

A classic example of this that has added billions to defense costs since the 1960's is the low-risk acquisition policy introduced under Secretary McNamara. This policy was introduced in order to meet uninformed Congressional criticisms by reducing the risk of cost overruns in new, high technology, weapon procurement programs. The idea was to demand that the Services have all the technology needed for any new weapon system "in hand" before any procurement would be allowed. This was the so-called "building block" approach to acquiring new systems.

This solution originated with Mr. McNamara's Whiz-Kid analysts, some of whom are now back in the Pentagon. While seemingly logical on the surface, it failed to consider the impact that such a policy would inevitably have on such overall security considerations as the prospect of being able to keep ahead of the Soviets or even on the overall life-cycle costs of the programs required to adopt it.

What the new policy said, in simple terms, was that henceforth "thou shall not be allowed to order a new weapon system into production, or even ask for the funds to do so, until you have demonstrated that all research and testing on any new technology involved is 'in hand'." In other words, there would be no risks taken that any of it might be found not to work as planned after production decisions had been made, even on long lead-time components. A variant of this is the much touted "fly before buy" notion.

Prior to this policy, the simple logical approach that brought "cutting edge" new systems like Polaris, Atlas, etc., into being in less than six years from first concept to initial deployment was to accept reasonable risk by ordering long lead-time items into production on the basis of expert judgments that their goals could be achieved even though all testing on the system as a whole or on

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all of its parts had not necessarily been completed. The goal was to reduce development time to a minimum, thus optimizing the likelihood the U.S. would get an advanced new weapon before any other country could match it or figure out how to counter it.

The first result of this new policy was to dramatically raise the cost of all new, high technology, weapon systems. This is because the stretching out of the RDT&E phase of any major program adds about 30% per year, cumulatively, to its overall life-cycle costs. Polaris took a little over four years to design, build and put the first unit to sea. Since the 1960s when this policy went into effect, most new systems, including tanks and others that hardly pushed the state of the art, have averaged from 10 to 15 years to develop and deploy.

Second, this policy put at risk the security advantages the U.S. sought as a result of buying the new weapon system in the first place. Military experts understood that the prospects of being first in the field with a new weapon system would be vastly decreased by giving the enemy both time and opportunity to discover what we were building, steal and copy the technologies (building blocks) required, and field a defense against it, if not a better system, before we could.

The point in all of this is that the overall pyramid or forest in this case was U.S. security as a whole. The system involved was just one tree in this forest. The goal of reducing the likelihood of having cost overruns in order to please Congress should have been at most a minor consideration. In this case it was obvious that the McNamara amateur analysts never considered, and probably did not understand, the impact of their "cute" solution on life-cycle systems costs or on keeping ahead of the Soviet threat. Unless, of course, as some wags have suggested, they knew exactly what they were doing but wanted to let the Soviets catch up with us as a prerequisite for negotiating arms agreements.

Tinkering with individual trees to solve some minor problem can result in losing sight of what it does to the shape and usefulness of the whole forest. To prevent this, sound planning in any sector or area of defense must always consider possible impacts on the whole. In almost all advanced technology, "cutting edge" programs the decision makers will have to trade some risks

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for costs. This in turn requires that the planners be professionals and experts in all aspects of what they are planning.

Put another way, if national defense is seen as a pyramid made of many different building blocks, such as control of the air, control of the seas, defense of NATO, political dictates, budget considerations, acquisition policies, etc., then plans for any one "block" can't be made independently of others. In addition, all valid findings such as concepts, actions, policies, or force types, levels, and deployments should be defensible on grounds of common sense and historical precedents.

If a concept, strategy or plan cannot be explained to an average, intelligent but not necessarily expert, person – such as a voter or politician – and these can't understand the logic involved and why it makes sense, it will eventually fail or create worse problems downstream. Unfortunately, this is what happens all too frequently when amateur strategists or academics address military problems. Another classic example of this was the introduction of the concept of Mutual Assured Destruction (MAD), where egghead logic coupled with ideological aspirations were substituted for sound strategy, and this at the expense of the survival of the American people had a real war occurred in recent years.

When military matters were normally decided by military experts, as was the case prior to the McNamara regime of the 1960s, this problem seldom arose. Expert heart surgeons don't make mistakes based upon not understanding all the ramifications of their art. Hospital administrators attempting to do heart surgery are very likely to do so. The notion that in defense any academic or amateur is as qualified as professional soldiers, when specialists are required in all other disciplines, makes no sense. If it did, we ought to close all military academies, schools and training establishments, and merely hire any college student who has read a few books on the subject to do defense planning and command troops.

In the early 1960s two trends developed in security activities. First, the then-new Kennedy Administration brought numerous people into government policy and management from academia. Some of these Ph.D. teachers assumed that they knew more than all the generals and admirals about how to wage war.

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Second, the academics and amateurs who meddled in defense planning rationalized their right to do this as being a legitimate element of civil control of the military.

In other words, Secretary McNamara and what became known as his "whiz-kids" decided, with White House backing, that civil control included telling the professional military people not only when and where to fight but also how to do it in terms of strategy, tactics, doctrine, weapon systems, and even target selection. The outcome was inevitable. America lost its first war in the 1960s – Viet Nam. If one doubts this, all one has to do is wonder why Viet Nam produced no MacArthurs, Pattons, Eisenhowers, Nimitzes, Kings, Bradley's, Doolittles, LeMay's, and dozens of other well known military commanders, as was the case in WW II and prior wars. The answer is that in the case of Viet Nam decisions were made by amateurs in Washington, creating neither opportunity nor desire to participate for competent military leaders. The only name that emerged was that of General Westmoreland – and those who lost the war have tried to pass the buck to him ever since.

Now we are seeing the same thing creeping in with the Clinton Administration. Today it is not only whiz-kids in the Defense Department but members of Congress and, what is worse, hundreds of their aides all busy trying to micro-manage military matters. President Bush's management of the Gulf War was a breath of fresh air. He at least learned from his own WW II and the Viet Nam experience, and left military matters to the military to decide. The lack of enthusiasm for military involvements under today's administration is already noticeable. The JCS have certainly been in no hurry to take troops to Bosnia, Somalia or elsewhere, all of which have political management overtones at both ends.

One way the military can help to counter amateur and political efforts to dictate strategy and related issues is to understand and insist on adherence to basic military theory. This and historical precedent can be used to challenge most amateur concepts, policies and strategies, both officially and in professional articles. Explaining to the public in simple, easily understandable terms why something makes sense or not is quite effective in

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enlisting public support to block unsound policies. In the SDI debate when the anti-SDI proponents of MAD tried to explain why the government should be satisfied with revenging a Soviet attack rather than protecting the people against it, they lost every time.

A small but recent example of this was the loss of U.S. troops in Somalia, which has been attributed to the denial of a few tanks by political appointees in the Defense Department. As a result of the Congressional and public uproar on this, I suggest that Defense Secretaries henceforth listen to the JCS and military commanders before assuming they know enough about fighting to arbitrarily overrule field commanders on any hardware they say they need.

When fighting troops, who are daily risking their lives, are told by Washington what they can and cannot shoot to protect themselves, let alone win the war quickly, they soon view the war or their mission as a chess game being played by Washington amateurs, most of whom never heard a shot fired in anger. They then tell their friends and families this, and you have an unpopular Presidential commitment coupled with unwarranted amateur meddling that, more often than not, leads to unnecessary combat losses if not defeat. The word "limited war" should never be interpreted as being limited in the ways and means those fighting it use to defeat their opponents. Viet Nam was a classic example of not heeding this principle.

Politicians who try to dictate how the military should do their job generally forget that people will risk their lives for their country, but not with one hand tied behind their back to satisfy some academic rational by non-combatants. Politicians can properly decide whether or not to fight, but having done this they had better let their military experts do the job in whatever way and with whatever means their experience, common sense, and need to minimize casualties tell them will result in the quickest victory with the least losses.

When it comes to defense theory, the bottom line is that our people should understand that sound theory is basically simple, normally easy to explain, should make commonsense, and can be used not only to get the right answer for military opera-

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tions but also to protect the military from amateurish or politically motivated bad decisions. When it meets these criteria it will be understandable to the voters who command the political managers. "In the U.S. public attitudes still largely determine public policy." Any leader who forgets this risks surrendering decision-making in life-and-death matters to minorities and pressure groups.

On Commonsense and Principles

In a very simple example, if military planners come up with a strategy or plan that ignores the critical role of "control of the high ground," when this is a consideration in the given situation, their plan or strategy will fail. This is especially true when it comes to defining the future role of space in national security. Space is the new high ground and its control must therefore be a primary goal of future U.S. security policies. Have our politicians and academics admitted this? No. At most they accept military space systems as useful in a supporting role for ground operations under some vague euphemism called "force enhancement."

Since most U.S. voters understand the importance of control of the high ground but do not know what "force enhancement" means, they naively assume that all is being done to control space to the extent required to ensure future U.S. security, when in fact it is not. The cover-up is through semantic confusion. Military writers should not fall into that trap.

The adoption of the MAD strategy is another example already mentioned. I have never been able to get inventors or advocates of Mutual Assured Destruction (MAD) to explain what it means in clear, simple terms to public audiences – specifically, that MAD does not provide for the defense of anything or anyone. All it offers is a promise of revenge after the people it is supposed to protect are dead.

While amateurs devised and imposed the MAD concept on the military, it was obvious to professionals that it would eventually fail. Why? Because it violated the fundamental role and purpose of a nation's armed forces, which has always been to protect the country and its people from acts of aggression. National defense has never been predicated upon being able to retaliate against acts of aggression, after the fact, and in revenge. Revenge even offends

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moral principles. The politicians and government people who dreamed up the MAD strategy were never interested in protecting American lives. All they wanted to do was mislead the voters into thinking they had a strategy that would do this.

MAD also defied common sense by surrendering control of the outcome to the enemy. By depending for its success solely on deterrence – something the enemy decides to accept or not – it offers no alternative but defeat if the enemy decides not to be deterred. You can't make it impossible for an enemy to do something you are trying to prevent by leaving the decision to do it or not up to him. This is another violation of common sense.

When the Kennedy/McNamara people came in with all their RAND analysts and advisors, they ignored – or most likely never understood – many of these fundamental principles. They insisted that because of the advent of atomic weapons the ability to deter aggression should take priority over the ability to defend. Deterrence of aggression can be a bi-product of the recognition by potential aggressors that they will be defeated if they attack. It can never be a substitute for the ability to repel, if not defeat, the aggressor.

The notion that the primary mission of the U.S. atomic capability was to deter atomic war was also associated with the belief that wars with atomic weapons, at any level, are unwinnable. No military plans have ever proved that selected use of atomic munition could not result in victory, and this without necessarily expanding the conflict to strategic nuclear exchanges. Whether even strategic nuclear wars are winnable or not probably depends on who fires first and how well they select their targets.

Some in the military also bought deterrence for parochial service reasons. The Navy liked it in the early 1950s but called it "minimum deterrence." They could not get accuracy enough with carrier attacks to participate in the strategic mission, which – in the counter force days – logically required accurate targeting of Soviet missiles and bombers. But carriers could overkill area targets like cities, which was all that deterrence by retaliation called for.

On Logical Solutions

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"All the right answers are simple." There is a lot of truth in this saying. What I have always judged it meant was that the right answers should fit into a logical pattern that can be used to verify the fact that they make sense and why.

It is logical to assume that the more people know about something worthwhile the greater will be their efforts to acquire it. Conversely they are not likely to seek what they don't know about. This simple, commonsense, conclusion applies to solving problems ranging from immigration pressures to outright military aggression.

For example, the revolution in communications technology is undoubtedly a major factor in many of today's geopolitical and security problems. Once technological progress in communications made it possible for Third World populations to see on TV, and in real time, lifestyles in advanced societies, massive efforts to acquire similar standards of living, whether by immigration or aggressive action, became inevitable. As such, they could readily have been forecast and plans made to cope with them.

What this should tell us is that when looking for valid, lasting solutions to any problem you have to start at the top of the pyramid. This means, consider all forces and factors that affect the problem. Examine how they are likely to impact on alternative solutions, and then decide what solutions make common sense and which don't.

In military planning there are certain fundamental considerations, and even equations, that invariably apply. This is always the point at which to start. Let's take one of the principal ones that must be considered in all military plans. This is what I call the "Basic Military Equation". I first noted its critical role during the planning for the NATO New Approach Strategy in the early 1950s, where the principal variable turned out to be the method of conducting the battle – that is, force posture and doctrine – rather than merely force and weapon types and numbers.

The Military Equation

From this equation I then derived what I jokingly called "Richardson's First Law of Thermo-Nuclear War planning," to wit:

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> In all military planning, the defense mission, the strategy, the tactics and doctrine used to carry it out, and the means available to do it (forces and weapons), should all be considered as variables and their sum must be equal to, or greater, than the threat.

If you are planning to cope with a threat, any threat, your plan must, in the simplest sense, consider only three things:

> FIRST: What we have to do or want to do. This is the goal, objective or simply the JOB. The military job is normally to destroy something, defend something or some place, protect something, or conquer, control, or acquire something. Military jobs might be: Gain control of space; defend along the Rhine; protect America from ballistic missiles; or re-conquer Kuwait. The job is also referred to as the task or mission.

> SECOND: How we plan to go about doing the assigned job. This is the METHOD we adopt to accomplish any given job or mission. It includes our concepts, strategies, doctrines, tactics, plus such things as use or not of conventional or atomic munitions, fortifications, holding operations, etc.

> THIRD: The MEANS available to do the job in the way we selected. These are the forces, weapons, and support systems deemed necessary. For long-range goals they may also be given in terms of the money to be made available to acquire them – that is, in budgetary terms.

Every military plan is, in its simplest form, an interplay between these three elements: the combination of WHAT we must do plus HOW we decide to do it, and WHAT we have to do it with. These three factors taken together must be collectively able to overcome the THREAT or we won't succeed in doing the assigned job. The basic military equation that must be balanced in any planning and decision-making is, therefore, the following:

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JOB + METHOD + MEANS = or > the THREAT

So far, all this sounds pretty simple and elementary, but many planners and decision makers fail to consider not only *all* these factors, but also which are potential variables.

The Method As A Variable

A first mistake frequently made is to ignore the fact that each of these factors is a potential *variable*. The tendency in many military plans is to assume that the job (mission) and the method of doing it – i.e., the tactics, strategy, and doctrine used to carry it out – are *fixed* factors. The first is given by political or other decision level, and the second is given by past experience, tradition, or what was taught in the schools in the past. The major error this assumption leads to is the belief that if the enemy threat increases the only way this can be dealt with is to increase the forces and weapons on our side.

Failure to consider all factors as potential variables has been one of the principal causes of arms races. When a threat occurs or grows, the military opposing it ask for more forces and weapons to defeat it. So long as these can be provided, the military balance is then re-established. The opponent then builds more forces in an effort to recover or maintain superiority, and the process continues. When additional means – usually in terms of military "mass" – e.g., superiority in men and weapons – can no longer be provided by either side, it then "throws in the towel" on the mission. "Sorry sir, we can't hold on the Rhine with only 15 divisions when the threat has now gone up to 30 divisions".

The problem is that this approach to solving all threats invariably ignores the possibility of changing the method adopted to do either the defensive or offensive job, instead of upping the forces, weapons or money.

The option to offset relative means with different methods generally stems from technological progress. It is, in effect, a three-way process. First, some new method of destroying targets becomes available – e.g., use of atomic weapons, PMG's, space-based systems, missile intercept capabilities (SDI), or other. Second, to fully exploit the new method and its associated weapon

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systems one has to make major changes in the classic way (method) the business of fighting was accomplished with the old ones. And thirdly, the need to solve the problem, and consequences of not doing so, must exceed the inherent resistance of all existing establishments to changing their traditional methods.

Unfortunately, using the method as a variable and changing it instead of force levels is a solution that has invariably been resisted by all large organizations. This is because changes in method threaten everyone's expertise and their reputations earned while doing their business in the old, accepted and traditional ways. Offer Field Marshal Montgomery a new and better tank with which to defeat Rommel and he welcomes it. Tell him he will have to change his tactics, doctrine, strategy and force postures to make the new tank effective and he will reject it. Why? Because his recognized expertise in tank warfare, which got him his job as the Commander, was acquired using tanks in the classic old way. Adopting a new approach and radically new tactics, dictated by the new technological capabilities, will obviously threaten this expertise.

Since the need to change the METHOD is generally due to the impossibility of obtaining the MEANS needed to do the assigned job in the classic way, when and where it succeeds it generally has an impact on the roles, budgets, force levels and composition of all those arms and services involved, in the present and forever thereafter. Once it has been demonstrated that a job can be done with less "mass" than previously required, by exploiting some new technological advance, the prospects of ever getting as much as in the past in order to do the same type of jobs (missions) in the future are obviously zero.

For instance, in the 1950s when NATO commanders could not get enough money, forces or weapons to defend along the Rhine with classic conventional forces they told their political masters that they would most likely have to fall back to the Channel or even the Pyrenees. What actually happened was that when abandoning Europe was worse than accepting new technology and its impact on their forces, roles, missions and expertise, they looked seriously at tactical atomic weapons. The resulting Capabilities Plan of 1956 then concluded that they could defend

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forward on the Rhine provided they changed the method from conventional to atomic. This led to the 1956 NATO Political Directive that stated that NATO would respond to any Soviet attack on Europe with atomic weapons from the onset. This is a classic historical example of using Method instead of Means to balance the military equation. More recently the SDI vs. MAD and the NLS vs. SSTO are also examples of this in varying degrees.

Types of Plans

One aspect of the above not generally understood by most military, let alone amateur, planners is the nature of the planning process that should be used to arrive at sound solutions using factors other than the means as the dominant variable. Experience has shown that there are essentially three basic types of plans: (1) *Requirements* Plans, (2) *Capability* Plans, and (3) *Emergency* Plans. The basic difference among them has to do with which of the three potential variables in our planning equation is used primarily to cope with the threats they address. The planning process that should be adopted in any given situation depends upon a prior decision as to which factor is likely to be the principal variable used as a means of obtaining an affordable and militarily sound solution. In Requirement Plans, the most prevalent type, the planners seek to determine the quantities and levels of forces and weapons required to do a given military job – accomplish a mission. The planners assume the mission to be accomplished as a given, and the method as standard doctrine/last war experience, or whatever is currently taught and accepted. All they have left to play with are the forces, weapons and related means.

In Emergency Plans, the planners try to determine what they can accomplish in an emergency. Since they are stuck with the means at hand when the emergency comes about, and since, here again, they do not challenge all the established, taught or approved methods of using the means they have, the only variable becomes the job or mission itself. For example: "We will try to hold but the best we are likely to do with the forces we have is to accomplish some lesser mission such as delaying the enemy advance." Either way the job becomes the variable.

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Capability Plans tend to be equated with Emergency Plans. The names have on occasion been used interchangeably even in the JCS. In sound planning theory, however, Capability Plans address the problem of how to carry out a mission in a situation where you know that you do not have the necessary means to do it in the normal, classical way. You can't change the job/mission and you can't up the Means, so what can you do?

A President or Chief, knowing he is short on the Means but still having to accomplish a given defense mission like "defend the frontier," tells the planners to consider both Means and Job as fixed. For example, he may say: "NATO can only raise 20 Divisions and you (Mr. Planner) will tell me how to hold on the Rhine with that force or some equivalent dollar level, and this regardless of the fact that we both know the Soviets have some 30 plus divisions facing us."

When this happens, the planners invariably start by saying to the Chief, "we can't do the job you want done with only the means you have allocated to it." If the Chief understands the process he expects them to go through, he replies: " Look, I told you guys to come up with a plan to do the job with the means I told you would be available; now do it." "If you can't do it in the classical way, then propose some other way we can do it."

What then usually happens is that the bright young planners consider all possible technological and other solutions and come back and say, at first with tongue in cheek, "Well sir, if we are allowed to build a couple of gigaton atomic weapons, or if we can use space ships to bomb Moscow, etc. etc. from the onset, I guess we might do it!" Whereupon the Chief, if he is smart enough, says: "Now you got the message, so come up with a solution along those lines that makes sense." Looking for this is the purpose of a Capabilities Plan.

The problem with this approach is that it is inherently and historically resisted, and even deliberately ignored until the consequences of not doing a real Capability Study exceed those of doing it.

Obviously the capability that emerges from such an effort is to solve what appears to be an unsolvable problem for lack of classic means by exploiting some new technology. Generally it is

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one not yet tested, possibly heretofore unacceptable for political or even parochial Service or other reasons. The question is, are the consequences to the nation of not solving the defense problem involved greater than those of having to abandon these parochial or political considerations?

All military planners and Chiefs know full well that once you show any mission or job can be done as well or better with less MEANS you will never get money for more means. Put another way, you can't use Capability Planning to solve any one, localized, threat. Once you embark on it, the country and the Services are likely to be stuck with the solutions adopted. The result is that many people not even associated with the specific problem that has to be solved oppose this approach. Consequently, it is not frequently used and at times whole generations of planners forget it exists and how to go about doing it.

In the normal course of events what happens is that the new technologies that make it possible sit around on the shelf for decades or more so long as peace prevails. When a war comes along and one side introduces these out of desperation the changes in the methods of fighting the land-air battle that become necessary as a result of the introduction of the new capabilities have to be made in the field and under combat conditions. Obviously this can result in a great deal of confusion, not to mention serious losses. It also explains why it is often said that "most military establishments start a new war with the doctrines, concepts, tactics, etc., that proved to be successful in the last one." Those military establishments have also often been defeated as a result when the aggressor has been smart enough to introduce new technologies and the associated changes in the posture of his forces before the war – e.g., in peacetime. The German Panzer organizations and tactics of mobility versus the French Maginot line constitute a classic example.

NATO went through a Capabilities exercise in the early 1950s. NATO military leaders produced the first NATO Requirements Plan for the defense of Europe for the next decade or more, a document known as MC48. Meanwhile, NATO political leaders studied what they could afford for their defenses at that time. The two findings came head on at the 1952 Lisbon Confer-

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ence. It then became apparent that the minimum force requirements called for by the military experts exceeded the resources available to build these by 200% or more. In other words, there was apparently no way that the new NATO Alliance was going to be able to provide security for its member nations.

Recognizing this and the near certainty that the various countries' leaders would therefore begin to look to solutions like "accommodation" instead of NATO for their future security, Generals Eisenhower, Gruenther, Marshal Montgomery, and other key NATO leaders realized that their only hope for NATO's survival was for them to come up with an affordable yet credible way of holding forward in Europe with inferior force levels and in the face of a Soviet attack having vastly superior conventional mass. This was a perfect scenario for a Capability Planning effort.

When Gruenther, Eisenhower's C/S, wired the JCS that "We are initiating a CAPABILITIES Planning cycle," the then-JCS Chairman, Gen. Ridgeway, wired back saying essentially that "under no circumstances, repeat no circumstances, should SHAPE initiate a Capability Planning cycle." Eisenhower, by then in the White House, told Gruenther to ignore the JCS and go ahead. The end result was the SHAPE 1956 CAPABILITIES PLAN that led to the so-called NATO New Approach and resulted in the North Atlantic Council's 1956 Political Directive, which substituted a strategy of responding to any attack with Tactical Nuclear Weapons from the onset in lieu of the classic conventional defenses used in WW II and before.

One should note that none of this had anything to do with strategic nuclear warfare. While a factor in overall deterrence of Soviet aggression and the prospects of winning or losing a global war, it had little or nothing to do with the validity of the 1956 NATO Capability Plan's ability to defend Europe against an invasion from the much larger Warsaw Pact conventional force even when backed up by their own tactical atomic weapons. The lesson learned here was that when atomic weapons are introduced in a land-air fight between forces seeking to invade and defend a given area, or theater, the advantage shifts to the defender regardless of the size of the forces involved on both sides. This results from the new situation these create in terms of relative

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ability to destroy one another's formations. Fighting successfully in the resulting environment requires reposturing forces, primarily for survivability reasons, and changing tactics and doctrine as needed to accommodate this.

The U.S. Services were not happy over the above findings and trends. The Army was especially concerned. Its role in war had always been dependent upon massive military manpower, large numbers of tanks, guns and other weapon systems; the ability to concentrate its forces; and a holding and mobilization build-up of massive armies to do all this. Any suggestion that henceforth a few high-technology weapons and delivery systems like aircraft and missiles with atomic weapons could replace these was viewed as a disaster. As a result the Army's leaders, in effect, teamed up philosophically with the growing numbers of anti-atomic, academic, Pugwash people and politicians who also objected to any use of atomic weapons if for different reasons.

Unfortunately, by the 1950s the atomic genie was out of the bottle. While disliking the implications, all Services and many other countries wanted access to these weapons. Looking for some solution that would allow for this while still justifying the retention of conventional "mass," Generals Gavin, Taylor, et. al. came up with the idea of adopting the NATO Dual Force strategy that Secretary McNamara literally shoved down the throat of our NATO allies in 1963. How much all this can be credited to anti-atomic attitudes in the Kennedy-McNamara Administration and how much to Service parochial protectionism has always been debatable. The end result, however, was a NATO strategy that lasted for over two decades even though it made no military sense.

Importance of Basic Military Theory

While many articles and papers have been written on NATO strategy, my purpose in referring to it in this article is solely to underline the necessity of understanding and addressing basic theoretical considerations in any military plans. Issues such as the availability of under-exploited new technologies, their possible use to reduce costs or offset inferiority in conventional forces, their impact on strategy and logistics, their relationship to the validity of accepted doctrine, and the reasons for resistance to

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apparently logical, commonsense solutions should all be considered. Surprisingly, there are more major defense plans that fail to do this than there are that do.

A military logistician once wrote a book on *Supply in War* (Martin van Creveld, Cambridge U.P., 1973) in which he explained why Western and Central European towns and villages were frequently surrounded by walls and fortifications. One reason, which to my surprise was never taught in the military academies, was that even a small fortified town could prevent a large invading army from taking it by force or by a siege if its fortifications could keep the attacker at bay for around 30 days or less. This was not a question of strategy, strength, manpower or ability to fight, as most planners and historians would tend to conclude. Instead it turned out to be a question of food for horses.

In the days when military mobility depended on horses, both for its cavalry and for its wagons and supplies, the volume of fodder needed daily by an army in the field required that most of it be captured, looted or requisitioned from local stocks. This was the normal way armies on the move survived in the pre-truck and railroad eras. If the fodder had to be brought in on horse- drawn wagons, a simple calculation shows that the horses required to haul hay wagons would eat up all their payload in only a few days on the road. So the attacking army had to breech the town's walls fairly quickly or else move on to where they could continue to forage for their fodder successfully. This factor even limited how long a siege could be maintained and with what size and categories of forces.

History tends to credit many famous commanders with losing wars and battles by poor planning when, were the truth known, they lost these for lack of considering some apparently minor logistic factor such as fodder for their horses. Failure to consider the whole picture and all factors that could play in military planning can be as disastrous as a bad strategic or tactical decision. "For want of a nail the shoe was lost. For want of a shoe the horse was lost. For want of a horse the rider was lost, and for want of a rider the battle was lost," a well-known saying goes.

In the days when technological progress was very slow, its impact relative small and took years to come about, and most

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forces had essentially the same weaponry, only strategy, tactics, manpower, and logistics were important to the outcome of military campaigns. The technological revolution that has taken place since WW II has dramatically changed weaponry with ever- increasing frequency. This in turn generated "great leaps forward" in military capabilities, with the attendant need to change the tactics, doctrines and force postures and other aspects of the ways in which warfare is pursued. Anticipating new weapon systems and adjusting to both the threats and opportunities they pose has been more and more of a challenge to all military planners as the time between the appearance of these gets shorter while the ability to safely test them in real combat situations declines.

Today when new inventions can be decisive in the outcome of military operations, even upon their first use, there is a high premium on anticipating these and making the necessary changes in peacetime to survive should they be exploited. Technology has been the principal driving force in such changes. The greater the changes taking place in such areas as munitions, delivery systems, communications, access to air and space, and all others that directly improve the gentle art of destruction, the more destabilizing sound plans tend to be. Had the military treated atomic firepower as merely an improvement on artillery, as many wanted to do in the 1950s and some would still like to do, NATO would probably not have survived and the Soviets might well have conquered Europe. Had the military had no space-based observation satellites in the Gulf War, its ability to find and hence destroy targets in Iraq would have suffered and the war would, at best, have lasted much longer and resulted in far more casualties.

In the same vein, if we allow the resistance of the bureaucracies in DOD and NASA to ignore the technological feasibility of now replacing the modified munitions (ELV's) that have been used as space transports since the Sputnik era, with safe, reusable, reliable and relatively inexpensive Single Stage to Orbit (SSTO) space transports, America will continue to lose most of the world's commercial space-launch market to foreign systems like Ariane, and could well lose control over space to the detriment of the future security of the U.S. Here again, we see massive resistance to accommodating change that stems from technological progress,

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and one of the likely consequences.

Application to Atomic Policies

Unfortunately, the lessons NATO learned on how one fought a land-air atomic battle and their relationship to the success of the Alliance in maintaining the peace for several decades were never taught to future generations. Meanwhile, the anti-nuke people sold a lot of people on the idea that it is impossible to win any type of nuclear war. This is just not true, a fact we may well learn the hard way, given post-Cold War proliferation trends.

Almost all serious studies of the use of atomic weapons show that a relatively small ready force, properly trained and postured to survive in a nuclear environment, should be able to defeat an opponent with vastly greater conventional forces unless the later decides to resort to strategic escalation. Such findings are no doubt part of the attraction of atomic weapons for Third World dictators.

Other studies on what Soviet theoreticians seem to have concluded with regard the use of atomic weapons in combat suggest those planners not only arrived at findings similar to those of NATO in the 1950s but also taught these to students from other countries. The notion that withdrawing and destroying U.S. or NATO TNW (thermo-nuclear weapon) systems will persuade the world that these are useless is at best wishful thinking. The logical, common sense, thing to do is to figure out how to live with and best to exploit all potentially useful new technologies, not sweep these under the rug. Treaties and gimmick strategies like MAD may delay proliferation, but they will never, never stop it.

For lack of understanding all this, the U.S. has been rushing toward getting rid of its tactical nuclear weapons. This has been leaving U.S. forces with neither the means, postures nor knowhow to fight and survive, let alone win, in a nuclear environment – an environment increasingly likely to come about at some place and in some time during the next decade or two.

Proliferation of missiles and atomic weapons has been steadily increasing the likelihood that smaller nations of the Iraq variety will acquire and resort to these. If types such as Saddam

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Hussein, or their principal advisors, learned from the Soviets some of the lessons these first stole from us with regard to what can be done with small-yield nuclear tactical weapons in theater warfare, the prospect that one or more will try their luck at using these is very high.

Recent Hudson Institute Studies of Soviet military views and concepts, *The Impact of Military-Technical Revolution on Russian Military Affairs* (Mary C. FitzGerald 20 August, 1993, Hudson INst. Papers 4209) indicate that many Third World military people were taught what NATO and U.S. studies concluded in the 1950s with regard to land-air warfare with atomic weapons. Given the failure of the U.S. and its major NATO allies to keep, let alone improve upon, the means of waging such conflicts, our ability to deal with the products of proliferation has been declining. Many countries have or are learning that by using these technologies, or weapon systems derived from them, they can probably quickly defeat larger neighbors. And they can now do this with little or no risk that the U.S. or other major powers would interfere, since, having withdrawn or destroyed our tactical weapons, the only means we will soon have left to do so would require a massive escalation no responsible government is likely to initiate.

The bottom line in these studies, however, is that small nations or forces with appropriate TAC weapons can beat the hell out of any size of opponent, since the new key factor is that MASS – numbers of people and weapons and big mobilization bases – doesn't count for much anymore.

Another consideration pertinent to all this is that every TNW land-air warfare study had in it somewhere the statement that "... of course, if we had conventional means to do equivalent destruction with essentially the same number of weapons, and substituted accuracy for clobberhood, the findings for TAC nuke engagements would apply ..." In other words, as PGM's approach this capability, you can get the same benefits. But accepting this has been resisted in the services for the same reasons as rejecting TAC nukes: It rattles the budgets, past experience, Clausewitz's immortality, and service force requirements, hence roles and missions.

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On the Role of Destruction

There is another theoretical way to look at the whole pyramid of defense forces, concepts, postures and plans and even forecast where future changes are likely to occur and where technological research is most needed. This approach also makes it clear why most of the above views are logical and how they came about. This is to recognize that 90% or more of the basic military job in wartime in to *destroy* something or someone.

Accepting destruction as a prerequisite of both a successful defense or offense, one can break down the ability to do this to any target – an enemy soldier, tank or factory and urban area @n- into four relatively separate but sequential steps.

> First, one has to know where the target to be destroyed is. Not only that, but you have to know where it is accurately enough to hit it with whatever you are using to destroy it.
>
> Second, once one knows where the target is, one has to reach it. This is referred to as penetrating to it. It includes overcoming any barriers, such as defensive systems or passive protection measures, deployed to prevent penetrating to it.
>
> Third, having penetrated close enough to it, one has to be able to hit it. Having located and penetrated to the enemy soldier, tank or city with some lethal device does no good if one misses it.
>
> Finally, having found the target, penetrated to it, and hit it, you have to kill (destroy) it. In other words, whatever you hit it with must be lethal enough to achieve the desired destruction.

Only if and when military plans and operations result in successfully carrying out each of those four steps in sequence will the destructive task be accomplished. The combat part of the war business is that simple. Find > Penetrate > Hit & Kill = Target Destroyed.

If one now takes each of the above steps and lists under it the state of the art with respect to the technologies required to accomplish that task in any specific era, and examines this along

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with the composition, nature, posture, strategies and doctrines of the military forces at that time, a direct relationship becomes apparent. In other words, these all reflect the technologies they had access to, in each of the above four categories, in order to do their principal job – destroy targets.

Locating targets so they could be destroyed has progressed from the need for people to physically approach and "eyeball" them; through visual acquisition out to, then over, the horizon; later from balloons and aircraft; and in recent decades with electronic or other sensor systems on the ground, airborne, and finally in space. Today, advanced nations can see what-is-where on the whole surface of the earth and report on it in near-real time. We still can't see underground, under water, or otherwise hidden targets, except in special circumstances. The most recent great leap forward in technologies that affects military forces is in the space-based observation and surveillance area.

Penetrating to targets to destroy them has also evolved throughout the ages from having to walk in and fight one's way to their location to penetrating with cavalry then armor, then via manned aircraft, to, most recently, penetration with both ballistic and guided missiles. Resistance to penetration has gone from physical defenses by troops with shields, to trenches, fortifications, and ever more sophisticated defensive systems such as anti-aircraft artillery, defensive aircraft, ABM systems, and most recently to consideration of anti-satellite systems. Obvious future technologies still to become available include physical penetration from space-based platforms, and penetrations and defenses with beam and other exotic delivery and destruction capabilities.

The hitting of targets started with men carrying hand-held weapons and progressed over the years to stand-off weapons with ever-increasingly accurate electronic and other guidance and terminal homing devices. Overlap with kill capabilities came in with atomic weapons whose lethality over wide areas could substitute for accuracy in finding and seeing while still retaining the lethality to destroy almost any objective with a single penetration and vehicle.

Finally, the ability to kill targets has gone through an evolution of ever more lethal devices. Going from clubs to swords

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to guns to shells and progressing on up to atomic and other mass-destruction weapons, this evolution has had the effect of progressively decreasing the numbers of vehicles and munitions per target required to ensure a high-kill probability. This number in the case of many targets has reached or is approaching one. It used to take a hundred bomber strikes to destroy one factory complex that can now be destroyed with with one ICBM. The bottom line is a net change in force posture, a 99% decrease in bombers and elimination of air bases to do the same job.

While all the above is well known and self-evident, the interesting aspect is the extent to which the nature, size and composition of the military forces of all nations can be traced directly to the evolution of the technologies in each of the above areas. And, conversely, the extent to which the remaining shortcomings in maximizing capabilities in each area can be used to indicate where R&D is still required and both to define and to predict future force requirements and compositions.

Obviously, in this progression over the ages the ultimate goal is to know exactly where everything on earth one might ever wish to destroy is at any time and to be able to penetrate to it and kill it with one vehicle and one weapon. This would absolutely minimize the quantity factor in military establishments and shift victory or defeat onto considerations such as target selection or timing of strikes.

While all of this seems, and is, grossly oversimplified, it is also extremely practical when it comes to judging the likely value or return from various investments, force elements, deployments, organizations, and even budget allocations. If programs are being funded or forces maintained that cannot be shown as contributing to the ability to destroy by improving one or more of the above four areas of activity, they are probably wasteful and unnecessary for security. Also, R&D that improves any of these sectors is valuable, whereas R&D that cannot be shown to improve any of these sectors should be suspect.

At the least, this broad approach to analyzing military requirements and force postures can be useful to the public and political leaders and to all planners who need a yardstick to ensure that common sense lies behind their plans and proposals. Finally

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using only this criteria on the back of an envelope immediately flags major sectors of defense spending on forces research, or other programs that just don't make any sense any more. It helps separate those funded for reasons of traditions, vested interests, or failure to exploit available new technology from those that will logically help achieve or maintain military superiority.

It is a great model for planners to work with, and simple. As space capabilities improved the "see" factor, the means to wage wars changed. As PGM's improved the "accuracy" factor, you needed less sorties. As high performance A/C and electronics improved the "penetration" factor, you lost less and had to send in less. As new explosives (atomic or conventional) improved the "kill" factor, you did not have to fire more than once to do the job if you could hit it – etc., etc., etc. Play with it and you could easily have forecast the outcome of the Gulf war along with what types and numbers of forces were needed to do this, as well as which were sent along unnecessarily, given the technologies available and used. These are some of the basic examples where defense theory and its application must be taken into account in sound planning. The problem has always been that all too few people practice it, because the institutions these are associated with don't like the conclusions that inevitably emerge. They therefore resist this type of approach for parochial reasons or else the planners charged with doing it do not think it is dignified to base and defend their analyses on such relatively simple arguments. Many people prefer to ignore an obvious forest while showing off their expertise arguing the far more intricate details of the leaves on the trees. This, notwithstanding the fact that these leaves are academic if the forest dies or is burnt down.

On Space Planning

Finally, all of the above is especially applicable to concepts designed to best exploit space for national security purposes. The fullest exploitation of this new high ground is bound to challenge roles and missions, Service budgets and defense costs, and the dreams and aspirations of all arms controllers, do gooders, and other vested interests. Even today's classic military doctrine will become history.

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The evidence of concern and resistance in this arena can already be seen in the efforts that violate both commonsense and all precedent to somehow "maintain space for peaceful purposes only." This "ain't going to happen" in the real world. At least not until we have one world government, if ever; so it is a silly, utopian goal and dream whose proponents merely confuse and delay logical and cost-effective exploitation of the new media by those who can and should most effectively do this.

Another more minor and amusing effort motivated by lack of common sense is the ongoing tendency to speak and act as if the only function of military space systems is "force enhancement." In other words, to look at space as an addition to all existing concepts, strategies and doctrines on the mistaken assumption that access to space will have no role of its own in future warfare but will only support ground operations. This is blatantly stupid on the face of it. It is the space equivalent of those who look at atomic firepower as merely improvements in artillery and as having no impact on any other areas such as force requirements, tactic doctrines or strategies.

Only insistence that any and all future proposals, plans and programs measure up to commonsense and to historical experience, where pertinent, and a recognition of the fact that if they are valid they should clearly and simply explained to the public, will ensure long-term U.S. survival, the maintenance of its standard of living and world leadership position. Let's get our attention off the trees and back to the forest.

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The United States in Micronesia: From Trust Territory to Freely Associated States

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The United States' involvement in Micronesia has brought a new dimension to American diplomatic policy offering a challenging new role and creative opportunities in the Pacific community. Yet the American experience in the Trust Territory of the Pacific Islands reveals a remarkable diversity of policy in an area which remains largely unknown to the American people and the international community.[1]

Unlike the long period which embraced the build-up of the French and British overseas empires, the United States achieved most of its "overseas" possessions in a few quick spurts of activity. Alaska (from Russia in 1867) and Hawaii (annexed 1898) became territories and then states. The United States acquired Guam, Puerto Rico, and the Philippines as a consequence of its victory over Spain in the Spanish-American War. American Samoa was acquired at this approximate time by treaty (1900) and the Virgin Islands were purchased from Denmark in 1917.

The aftermath of the Second World War brought the U.S. a new series of possessions in the Pacific, the acquisition under the United Nations of a strategic trust in Micronesia, the Trust Territory of the Pacific Islands (TTPI). These islands had served as critical launching pads for Japan's attacks in Asia and were the scenes of some of the bitterest battles of the Pacific war (e.g., the 1944 battles of Peleliu in Palau, and Kwajalein and Enewetak in the Marshall Islands).

The Trust Territory of the Pacific Islands spreads over three million miles in the Pacific Ocean, the islands comprising mere dots on the map in the vast Pacific, over an area comparable to the size of the continental United States. However, the total land area is about half the size of Rhode Island, the smallest state in

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the U.S. These islands are significant for their strategic location, straddling some of the major sea routes between the U.S., Asia and Australia. Today, they are politically grouped in four separate entities: the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

Though the territories are small in size, have fragile economies, and are sparse in population, they play an important part in an evolving U.S. strategy in a critical part of the world. The United States, we recognize, is not an Asian power, but it is a Pacific power. The United States has a coast facing on the Pacific, one of its states sits out in the Pacific Ocean (Hawaii) and presently most of its territories or insular areas are in the Pacific. A number of years ago U.S. trade with the Pacific surpassed in value its annual trade with all of Europe. The United States' stake in the Pacific has become more focused, drawing the U.S. into Pacific island politics, and not always as a willing participant.

As the U.S. responsibilities unfolded in the area after acquiring this strategic trust and establishing an entire governmental unit to conduct the affairs of its newest acquisition, even the most far-seeing prophet would have had difficulty predicting what now has come to pass in the evolution of the old TTPI.

The United States assumed the responsibility of providing for the economic and social development of these islands and assisting them in the movement toward self-government. The U.S. soon discovered the problems of dealing with a different culture and island people in a whole new governmental experiment. The learning process continues even up to the present.

The Congress of Micronesia, assembled as part of the move toward self-government, seemed destined to keep these islands as part of one unified system. That hope soon broke down as the individual personalities and cultural differences asserted themselves and groups departed from this imposed unity. The United States had to deal with this fragmentation as well as with the United Nations in seeking the implementation of its mandate. The United States had to balance its diplomatic and defensive aims of strategic denial and forward deployment with the need for assisting self-government and economic and social development for the Micronesians. The Trusteeship, after all, had been intended as

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only a temporary expedient and, according to the growing anticolonial ideology of the post-war period, these peoples should be launched on their own democratic experiment as soon as possible.[2]

The United States to its credit ran an efficient operation (though with some periods of neglect and uncertainty) through the Trust Territory of the Pacific Islands government and began building an infrastructure and modern society in the islands. The areas were recipients of U.S. aid and especially surplus equipment from the U.S. military. The U.S. also provided administrative and governmental training to the native islanders, a critical role allowing them to assume the duties of self-government. A High Commissioner, appointed by the U.S. President, administered the Trust Territory. (The position was abolished in the late 1980s when the High Commissioner's remaining authority was assumed by the Assistant Secretary for Territorial and International Affairs, U.S. Department of the Interior).[3]

Bringing Self-Government to Micronesia

The Trust Territory consisted of the Mariana Islands, Palau, the Marshall Islands, Pohnpei, Kosrae, Yap, and Truk (Chuuk). Since this article focuses on the Freely Associated States as a new and unique diplomatic development for the U.S., we can dismiss the Mariana Islands, which opted for Commonwealth Status with the U.S., and its people became U.S. citizens, and Palau, which is the last remaining part of the TTPI.

Forward movement began to develop self-government and two new political entities for the remaining five parts of the TTPI after much negotiation. A close working alliance assisted in developing a constitution based on both British and American concepts of law for the Marshall Islands, creating a governmental system with a U.S.-type president but a British style parliament (Nitijela). In 1979, the United States recognized the constitutions of each of the two new self-governing entities, the Republic of the Marshall Islands and the Federated States of Micronesia. The RMI constitution brought a unity to the homogenous atolls but the FSM constitution embraced four widely diverse states (Pohnpei, Kosrae, Yap, and Truk (now known as Chuuk) under a weak or loose central government, a situation where the states versus the

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national government still hampers effective and unified governing.

The RMI legislature, the Nitijela, as previously mentioned, is modeled on the British parliamentary system and its members are elected for four year terms; the President is selected from its members and the President in turn selects the Cabinet from that legislative body. Each of the four states in the FSM elects a governor and has its own legislature; the 14-member National Congress includes one member at large from each state for a four-year term, from which the President and Vice President are chosen, thus guaranteeing that both cannot be from the same state. The other ten members serve two-year terms and representation is based on population. (Under the TTPI, the High Commissioner had appointed a district administrator of each of the FSM states to oversee their programs.)

A unique political relationship in diplomatic circles would embrace these two new emerging nations: A Compact of Free Association. The concept of states freely aligned in association with the U.S. is similar to an association of "protected states," in which a larger state would guarantee "protection," including defense and a variety of aid, while the protected state functioned as a sovereign entity in other aspects. Similar arrangements included Korea in its relationship with Japan, and earlier with China (a Confucian little brother-big brother association) and Tonga and Zanzibar with the United Kingdom. In some respects, it can be compared to the Cook Islands (in free association with New Zealand) but the Cook Islands residents, while having internal autonomy, are citizens of New Zealand, while the RMI and FSM residents possess citizenship of their respective countries.[4]

After over a decade of negotiations, the U.S. signed the Compact of Free Association with the FSM on October 1, 1982, and with the Republic of the Marshall Islands on June 25, 1983. The Compacts were ratified by United Nations-supervised referendums (1983). President Ronald Reagan signed the Compacts into law on January 14, 1986 (Public Law 99-239) and they were fully implemented in both areas later that year (Presidential Proclamation No. 5564). The U.S. signed a series of agreements with the FSM in 1982 and with the Marshalls in 1983. [5]

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The Compact stands as a unique document. The legal theory recognized the Republic of the Marshall Islands and the FSM as sovereign but not independent. Each has the capacity to conduct foreign affairs, but the United States is fully responsible for their defense, a mutual security agreement which can only be changed or terminated by mutual agreement.[6] Accepting this theory, these two states could establish diplomatic relations with other nations but would be unlikely to receive U.S. support for an extension of its international character (e.g., admission to the United Nations).

The relationship provided a partnership on aid and assistance for the Freely Associated States which would last fifteen years, with a gradual reduction of funds. The terms of the Compact could be renegotiated at the end of the fifteen year period, with provisions that talks begin earlier than the final years. A unique feature also reflected the tension between the executive and the legislative branches. The U.S. State Department and Defense Department (CINCPAC) would work with these areas on matters of international diplomacy and defense. However, the majority of funds provided would be provided by the U.S. Department of the Interior.

The FAS were entitled to the continuation of certain U.S. federal programs (e.g., Small Business Administration programs) and could "buy" into participation in other programs. The Congress of the United States could also provide extension of programs to the Freely Associated States which were granted to the U.S. states and territories (e.g., Guam, Virgin Islands) by simply naming the FAS in the legislation. For example, the Pell grants, grants for educational assistance based on financial need, were phased out for the FAS, but were restored by Congress in the early 1990s.

Though the majority of funds go through the U.S. Department of the Interior (through the Office of Territorial and International Affairs), the DOI does not control these funds, a source of growing concern by the Inspector General of the DOI. Government agencies such as the U.S. Education Department, the Department of Health and Human Services or the Small Business Administration can work directly with the FAS without any needed approval (or knowledge of actual funding) from the Department

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of the Interior. (Legislative changes or a strong directive from the Office of Management and Budget seems the only way to arrive at a centralized control over the amount of funding.)

A New Role for the FAS

The FAS thus are recognized as sovereign states, with the RMI being recognized by forty-eight nations and the FSM by thirty-five nations.[7] However, in a unique policy twist provided by the U.S. Congress, they are the only foreign states eligible to participate in U.S. domestic programs. In addition, Congress established a discretionary technical assistance aid program averaging three million dollars a year (beginning Fiscal Year 1982) and an operations and maintenance program (which began the mid-1980s) designed to build infrastructure (e.g., roads, hospitals) for the U.S. insular areas in which the Free Associated States participate on the same basis as U.S. territories and Palau.[8]

Further attention should be given to the growth in the international character of the FAS. The United States felt it sufficient to ask the Secretary-General of the United Nations to notify the United Nations Security Council that all requirements had been met to terminate the trusteeship. The U.S. feared, and probably rightly so, that if the matter were brought to the Security Council, which had special oversight of the strategic trust of the TTPI, the Soviets would veto it as part of their propaganda war against the U.S. as a "colonial power." The United Kingdom and France supported the view that the Security Council must act. Finally, in December 1990, when the Soviet Union faced internal problems and displayed more willingness to work in accord with the U.S., the matter was brought before the Security Council and the termination of the trusteeship for the Marshalls and the FSM (as well as the Marianas) received Security Council approval.

The State Department's theory of a limited international role for the FAS took a new turn as the FSM and the RMI began inquiring about United Nations membership. The view that the RMI and FSM were both sovereign and independent evolved, especially in consideration of the "protected state" theory. After examining the credentials for such membership (and deciding that these states now possessed it), the U.S. withheld any opposition and the petitions for the two countries went forward. Probably the

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international community had not seen for a long time such a diverse group, the results of a greatly changing international order, as entered the United Nations in the fall of 1991: the Republic of the Marshall Islands and the Federated States of Micronesia as well as Latvia, Estonia, Lithuania, the Democratic Republic of Korea and the Republic of Korea (North and South Korea).

The FAS have been courting international recognition but must also pick and choose carefully the financial commitments for full diplomatic recognition and participation in United Nations' organizations considering their fragile economies and limited resources. The U.S. replaced its U.S. Representatives by U.S. Embassies in 1989 and U.S. Ambassadors were named to the posts with the retirement of the then current U.S. Representatives in these respective areas. The RMI and FSM upgraded their representatives to the ambassadorial level.

New Approaches by the U.S. Government

The intergovernmental relations within the U.S. Government deserve mention. The particular issues concerning the FAS in international relations have until recently been handled by the Office of Freely Associated State Affairs in the U.S. State Department; as part of the 1993 reorganization of the State Department under the Clinton Administration, OFASA was folded into the Office of Pacific Island Affairs, with the latter name remaining for functions involving the FAS and other Pacific Islands. The change involved more a bureaucratic consolidation, than any policy change toward the FAS. The parallel office within the U.S. Interior Department is the Office of Territorial and International Affairs (raised to the Assistant Secretary level in 1980) which provides most of the U.S. funding for the FAS and Palau.

Since the Department of the Interior is the administrative authority for Palau, OTIA and OPIA consult regularly on any foreign relations and contacts with Palau. This the last remaining entity of the TTPI is governed by the Secretarial Order (Secretary of the Interior). An interagency task force on Micronesia (involving State, Interior, Defense, Education and other agencies, depending on the issues) meet on occasion for consideration of larger questions dealing with Micronesia. While relations between State and Interior have generally been cooperative and supportive,

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tensions have surfaced in areas of less defined goals and areas of responsibility (e.g., cleanup of toxic wastes, and the reporting arrangement of a proposed U.S. Department of the Interior Representative in the Marshall Islands vis-a-vis the U.S. Ambassador).[9]

As the Compact comes toward renewal, assessments will be made of the success of the operation during the first fifteen years and what changes, if any, are needed for renewal. Overall, the relations between the RMI and FSM, though strained occasionally over some issues, remain very close. After all, the level of commitment for defense is one of the closest in the world, since the U.S. is responsible for the defense of the islands. This is to be compared with the commitment of Australia to Papua New Guinea, a former colony, where in case of difficulties for PNG, Australia and the PNG will initiate joint consultations.

The declining level of U.S. aid under the Compact has been a concern for the government officials of the FAS. Inflationary pressures, growing population, and the failure of the economy to grow significantly have burdened these areas with growing costs and concerns about viability. Both of these areas have a relatively small population, a total of 140,000 (100,000 for the FSM and 40,000 for the RMI. In summation, the FSM has been cautious on spending Compact funds, with investment a significant priority. The Marshalls have been less controlled, floating bonds, borrowing money and maintaining an airline (Air Marshall Islands), which constantly loses money. The main source of outside funds for the RMI and FSM is the money provided through the Compact via the U.S. Department of the Interior; the Agency for International Development (AID) does not provide direct funding to FAS, since they receive funding from the U.S. Department of the Interior for developmental programs. The FAS would prefer funding from both DOI and AID. Critics maintain that the State Department is not giving full priority to US-FAS relations when it denies them AID money, even though development is such a critical issue. The economies of the FAS depend on U.S. aid and the majority of the work force of each is engaged in government administration. A subsistence agriculture exists in the FSM, with fish and copra (the dried and broken kernel of the coconut, which is the source of coconut oil) as the major exports. Copra products represent about

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ninety percent of the RMI's exports. A recent increase in the price of copra has helped the economies. Agriculture, fisheries, and a growing tourism industry constitute the major economic development thrusts for both areas, but the economies are far from the "take-off" stage.[10] The FAS is eligible for foreign aid from other nations. Essential to the economic viability of these two areas, remains the question of whether the FSM, with its culturally diverse and differing level of economic activity, can remain a viable political entity or whether it might split, despite the U.S. support for its central government, into four separate or more governments.

Confronting New Challenges

The U.S. has worked to make the FAS a success. The American reputation in diplomatic circles will be enhanced if it demonstrates a record of bringing self-government and prosperity to these island areas. Officials on both sides disagree about the success of such programs as road building, fresh water supply, and sewage treatment and disposal. The U.S. has provided assistance to island areas thousands of miles away from its shores while its attention has been occupied elsewhere worldwide. This has been for an island culture that has not always embraced U.S. programs for efficiency and change in such areas as sanitation and health. The U.S. has had the dual role of providing assistance so that modern techniques are institutionalized while avoiding a growing dependency by these Micronesian people on the U.S. at the same time.[11]

Two successful programs have been in communications and health. The U.S. has worked closely with RMI and FSM officials in telecommunications toward facilitating their entrance into the International Telecommunications Union. The U.S. has taken that obligation seriously in diplomatic terms in order to help the FAS participate more fully in a world more dependent on technology and communication and to meet their obligations as members. The membership fee of $800,000 can be a heavy burden for small island nations struggling with limited budgets and growing demands for these funds. Membership in the ITU is a prerequisite for membership in Intelsat, which is a cooperative that provides communication worldwide via a satellite network. The U.S. has

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provided essential training assistance, in drafting legislation and complementary regulations, through regular consultation on telecommunications matters. The FSM has become a full member of the ITU and the RMI is also likely to join before the end of 1993. (An additional advantage of the unique participation of the FAS in the U.S domestic program is that the FAS can apply for Rural Electrification Administration loans for assistance.)

The U.S. through its technical assistance aid program worked to structure a program designed to meet local health needs. Funds were provided for a feasibility study through the Public Health Service for a community-based education program. A school for medical officers has been developed on Pohnpei, which has graduated thirty individuals with medical officers training and which expects to complete the training for a total of eighty by the end of its five year period. Another program has been supported through the University of Hawaii School of Public Health for training of health professionals in Pohnpei. The U.S. also provided funding for a contract with Mercy International to construct the hospital in the Republic of the Marshall Islands.

Needless to say, not all the programs supported have brought positive results. The U.S. cannot force change or new policies on these areas. The U.S. has supported a Hepatitis-B control program for the vaccination of children; the FSM has embraced it, but the RMI has refused participation. Through the U.S. Department of Interior funding, a feasibility study was conducted on the educational systems in the FAS toward making the curriculum more relevant to their needs. The RMI enthusiastically embraced the recommendations and are in the process of implementing them; the FSM government is still squabbling among the states on how to handle the education recommendations. A joint effort by the U.S. Department of the Interior and the United Nations Development Programme to fund a seamanship training program in the RMI has fallen by the wayside because of a poor response. A ten year U.S.-funded Public Safety Academy, providing for an intense six-week period of training for police officers and administrators for FAS and Palau, is coming to an end, and it remains uncertain whether the RMI, FSM, and Palau will continue a program which has been generally hailed as providing sustained professional expertise in training and law enforcement for Micronesia. An

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internal split among the three governments has also left the land-grant College of Micronesia an uncertain future: this one-time cooperative venture will be fragmented into three separate operations.

Another segment where U.S. policy and the island governments have clashed has been in the area of financial management. Pressured by the emphasis in the U.S. government in the 1980s for more accountability and investigations by the Inspector General's Office, the U.S. Department of the Interior contracted with the U.S. Department of Agriculture Graduate School, providing for training for government employees toward strengthening a financial management system in all the U.S. insular areas. The governments of the FAS and Palau have not given top priority to these programs and the lack of will and desire to implement necessary changes has brought the U.S. role in these areas under closer scrutiny. Certainly, at a time of renewal of the Compact, a U.S. Congress facing great U.S. budget deficits and a desire to concentrate more on U.S. domestic needs may look more critically on the financial commitment to a renewal of the Compact if strong management controls and fiscal accountability are not evident. (Even the annual talks on use of funds and economic development, which were to occur as an annual event, have been repeatedly postponed.)

The U.S. role in the old Trust Territory of the Pacific Islands has been a positive one, although the U.S. may have given too much too soon and ignored some of the cultural impediments to change. The Mariana Islands are better off financially than when they were part of the TTPI. Palau may be close to resolving the internal conflicts which has left it for so long as the last of the TTPI and could have the potential for real growth, dependent on resolving those same internal conflicts as it moves toward implementing its master development plan. The U.S. has guided the Republic of the Marshall Islands and the Federated States of Micronesia into a new relation under the Compact of Free Association with the United States, which has given these nations a new international character where they participate as full members of the international community and as members of the United Nations and are moving toward steps making their economies more viable.[12] The political problems are under the

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surface – whether the RMI can continue along its stable path after the departure of long-time President Amata Kabua (since 1979) and whether the FSM will resolve state rivalries in order to keep a unified national government functioning – and whether a renewal of the Compact can provide the funding to assist their economies without their becoming dependent on U.S. largesse.[13] The amount of that funding is under doubt in light of the U.S. deficit and domestic spending problems. (The RMI will still benefit from the lease on Kwajalein by the U.S. Defense Department and the settlement payments of claims for the nuclear testing programs conducted at Bikini and Enewetak Atolls from 1946 through 1958.)

Overall the U.S. provided essential training under the TTPI to the current leadership and the subsequent generation on the elements of democracy and self-government. The United States faces a continuing challenge as it seeks to cement a close relationship with the Republic of the Marshall Islands and the Federated States of Micronesia as part of a continuing outreach to the Pacific. It enjoys a heritage of a generally successful role as the administrator of the unique governmental arrangement under the Trust Territory of the Pacific Islands and is moving to a more challenging goal of self-government under the aegis of Freely Associated States.

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FOOTNOTES

1. Guam is still a U.S territory but is exploring the possibility of becoming a Commonwealth. Puerto Rico is a Commonwealth. The Philippines achieved full independence on July 4, 1946. American Samoa and the Virgin Islands are U.S. territories. All the U.S. insular areas are under the jurisdiction of the Office of Territorial and International Affairs, U.S. Department of the Interior with the exception of Puerto Rico, which is under the jurisdiction of a special task force operated within the White House.

2. A number of works deal with the development and evolution of the Trust Territory of the Pacific Islands. See the following: Dorothy E. Richard, *United States Administration of the Trust Territory of the Pacific Islands*, Office of the Chief of Naval

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Operations, Washington, D. C.: U.S. Superintendent of Documents, 1957. (Volume I: The Wartime Military Government Period 1942-1945; Volume II: The Postwar Military Government Era 1945-1947; Volume III: The Trusteeship Period 1947-1951); Ruth G. Van Cleave, *The Office of Territorial Affairs*, New York and Washington, Praeger, 1973; Arnold Leibowitz, *Defining Status: A comprehensive analysis of United States Territorial Relations*, The Netherlands: Martinus Nijoff, 1989; John C. Dorrance, *The United States and the Pacific Islands*, published for the Center for Strategic and International Studies, Westport, Connecticut by Praeger, 1992.

3. Different spellings may be found in different texts at different times for these islands: Kosrae may be found as Kusaie and Pohnpei as Ponape in the FSM; Enewetak or Eniwetok in the Marshalls; and for the last remaining part of the TTPI, it may be Palau or Belau. See Lee S. Motteler, PACIFIC ISLAND NAMES, Honolulu, Hawaii: Bishop Museum Press, 1986.

4. An excellent discussion of this concept of the "protected state" as a basis for the freely associated states and the discussion over such questions as sovereignty and independence can be found in Edward J. Michal, "Protected States: The Political Status of the Federated States of Micronesia and the Republic of the Marshall Islands," *The Contemporary Pacific*, Volume 5, No. 2 (Fall, 1993), pp. 303-332.

5. See Austin Ranney and Howard R. Penniman, *Democracy in the islands: The Micronesian plebicites of 1983*, Washington, D. C.: American Enterprise Institute for Public Policy Research, 1985.

6. See Howard Loomis Hills, "Compact of Free Association for Micronesia: Constitutional and International Law Issues," *The International Lawyer*, Volume 18, No. 3 (Summer, 1984), pp. 583-608.

7. Update provided by the Republic of the Marshall Islands Embassy and the Federated States of Micronesia Embassy, respectively, in August, 1993. The U.S., Japan, and the People's Republic of China have recognized these nations. RMI has been recognized by Egypt, Indonesia, Greece, Chile, Peru, and Poland; and the FSM by Austria, the U.K., Cyprus, Argentina and Columbia.

8. The discretionary technical assistance program, operated by the Office of Territorial and International Affairs, is a direct grant program. Funds are usually allocated equally among the recipients. This is a matching grant program where the insular areas must match the federal grant for infrastructure projects.

9. See Ken Miller, "State Dept.: Turf battles muddle Micronesian policy," *Pacific Daily News*, March 19, 1992. Congress requested that the Department of the Interior station a field representative in both the RMI and the FSM.

10. See "Investment Opportunities in United States Insular Areas and Freely Associated States," Office of Territorial and International Affairs, U.S. Department of the Interior, Washington, D. C.: Published by the Office of the Secretary, 1993 and "Investors Look to Islands for Opportunities," *Micronesian Investment Quarterly*, 2nd Quarter 1993. (This useful quarterly, published by Stillwell Communications and funded by OTIA/DOI, provides updated information on investment opportunities in the RMI, FSM, and Palau as well as general information about Micronesia issues.) The FSM perspective can be found in "Olter emphasized that the FSM need to take steps to reverse the unfavorable trend faced by the FSM," *The National Union* (An official publication of the People of the Federated States of Micronesia, Volume 14, No.5, May, 1993, pp. 4-5. (Reference is to current FSM President Bailey Olter.)

11. See Diane D. Pikcunas, "Is the United States Perpetuating the Welfare State in

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Micronesia?," *Conservative Review*, Volume 2, No. 2 (April, 1991), pp. 7-11.

12. Brief and useful short summaries of the Freely Associated States as well as Palau can be found in "Fact Sheets: United States Insular Areas, Trust Territory of the Pacific Islands, Freely Associated States," Office of Territorial and International Affairs, U.S. Department of Interior (revised periodically); and sections on the RMI, FSM and Palau in the July/August, 1993 issue of *Pacific* Magazine.

13. Whatever the future for the renewal of the Compact, the RMI will remain as one nation while the future of the FSM is less certain. A shorthand description of the FSM differences by expatriates goes: Pohnpei, a monarchy; Kosrae, a theocracy; Yap, an aristocracy; and Chuuk, anarchy. The references are to the five or so kingdoms represented in Pohnpei, the domination of the Congregational Church in Kosrae, the seven castes present in Yap, and the general political division in Chuuk.

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Privatization and Democratization in the Arab World: Is There a Connection?

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Over the last two decades two important developments have dominated the political economy of many countries all over the world: privatization and democratization. On one side, the economic philosophy of both Thatcherism and Reaganism has provided a substantial momentum to the move toward market economy. On the other side, the end of the dictatorships in Portugal, Spain, and Greece in the mid 1970s had given birth to the "Third Wave" of democratization.

The progress in the Arab World toward privatization and democratization has been very modest. In the majority of Arab countries, the state continues to play a very active role in the economic system in terms of investment, expenditure, and employment. As Table 3 shows, the proportion of public expenditure and public revenue is very high in most of the Arab states.

At the same time, with only one exception-Sudan in 1986-no ruling party has lost election. However, this does not mean that the Arab World is immune from economic and political reforms. In the last few years many Arab states have embarked on programs to reduce subsidies, lift restrictions on private sector, and encourage foreign investment. Meanwhile, elections were held in Yemen, Kuwait, Jordan, Algeria, and Egypt among others.

This study seeks to provide an assessment of the Arabs' experiment with both economic and political reforms. Why did they take place? How far have they gone? Why have they achieved just a limited success? and What direction will they take in the future?

Privatization and democratization: the connection

As has been stated above the Arab World, as the rest of the

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world, has been exposed to the waves of privatization and democratization since the late 1970s. Privatization comprises three categories: regulation, financing, and production. Regulation refers to the laws and decrees enacted by the government to control both the productive and service sectors. Financing concerns the actual price of a product or a service, that is, is it subsidized by the government or does the consumer pay the full cost? Production includes the initiatives taken by some governments to become involved in the process of producing goods and services (Lundqvist 1988.) Democracy, according to Diamond, Linz, and Lipset (1990) can be defined as,

A system of government that meets three essential conditions: meaningful and extensive competition among individuals and organized groups (especially political parties) for all effective positions of government power, at regular intervals and excluding the use of force; a "highly inclusive" level of political participation in the selection of leaders and policies, at least through regular and fair elections, such that no major (adult) social group is excluded; and a level of civil and political liberties-freedom of expression, freedom of the press, freedom to form and join organizations-sufficient to ensure the integrity of political competition and participation (pp. 6-7.)

Considering these two definitions and reviewing the reports issued by Middle East Watch, Amnesty International, and other human rights organizations make it very hard to claim either privatization or democratization in the Arab World. For example, a prominent student of the political economy of the Arab World talks about "Privatization that never was." (Ayubi, 1989.) In their four-volume study entitled "Democracy in Developing Countries," Diamond, Linz and Lipset argue that, "With the exception perhaps of Egypt, and Lebanon the Islamic countries of the Middle East and North Africa generally lack much previous democratic experience, and most appear to have little prospect of transition even to semidemocracy." (1989, p.xx.)

In addition, in "The Map of Freedom-1992" published by Freedom House none of the Arab states appeared on the list of 'free states'; eight were described as 'partly free': Algeria, Bahrain, Egypt, Jordan, Lebanon, Morocco, Tunisia, and Yemen; and twelve as 'not free': Djibouti, Iraq, Kuwait, Libya, Mauritania,

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Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, and United Arab Emirates.

However, over the last few years the private sector in many Arab countries has been 're-activated,' and the state has been in the process to 're-define' its role. Moreover, many states have witnessed a relaxation of the restrictions on political activities including legalization and formation of old and new political parties. Consequently, one can conclude that even it is hard to label the recent developments in the Arab World as privatization and democratization; it is probably fair to describe them as a liberalization of the centralized economic and political activities.

In a recent study Professor Alan Richards (1993) divides the economic history of the Middle East and North Africa since independence into three eras: the state-led, import-substitution era-roughly, 1930/1950-1973; the era of the oil boom-mid 1970s to mid-1980s; and the current era of structural adjustment-mid 1980s to date. These three economic eras correspond to changes in the political process as follows: the era of Arab nationalism 1950 to 1967; religious fanaticism 1967 to present; and a hesitant political liberalization which has been in the formation process since 1987/88. It is important to stress that there is a great deal of overlap between these stages, meaning that there is not a specific date when one stage ends and the other starts; rather two or even the three eras co-exist with each other.

What is not apparent, however, is the correlation between the economic and political developments. In other words, has the era of structural adjustment paved the way for political liberalization? Robert Dahl (1990) addresses this question as follows,

It looks to be the case that market-oriented economies are necessary to democratic institutions, though they are certainly not sufficient. And it looks to be the case that state-owned, centrally directed economic orders are strictly associated with authoritarian regimes, though authoritarianism definitely does not require them (p.80.)

The experience in the Arab world confirms Dahl's conclusion. It appears that the processes of economic and political reform reinforce each other. This can be shown by examining the circumstances under which both of them had been introduced, and the socio-economic and political forces which have been involved

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in implementing them. Three main reasons can explain the change from central economic and political system to a more relaxed one in the Arab World since the mid 1980s.

Economic Crisis:

With the political independence after the Second World War, many Arab countries implemented central planning and heavy state intervention as the vehicle for economic development and economic independence. However, by the late 1960s, it was apparent that the 'state project' had failed as Tables 1 and 2 show. A prominent Arab scholar describes the impact of the economic crisis as follows, "The revolution of rising expectations has now become the revolution of mounting frustrations; it has led to the present era of unstoppable instability." (Sharabi, 1983, p.302.) The failure of the interventionist strategy has changed the dynamics of the economic and political process in many ways. Above all, the bureaucratic bourgeoisie were and still are in charge of both the economic and political systems. But since the late 1960s, they have not been in the position to keep it 'business as usual.' The economic disaster import-substituting industrialization (ISI) had brought, forced the Arab elites to redefine the role of the state. The word 'redefine' is deliberately chosen since the state in the Arab World is not withering. The ruling coalitions have not given up the economic and political authority, at least not yet.

The severe economic crisis has eroded any legitimacy the state had. In other words, the 'Nasserist formula' or the 'patron state' which is built on keeping the masses politically passive by guaranteeing employment, housing, education, and a reasonable standard of living was not available any longer.

The rising inflation and unemployment rates have antagonized many of the state's clients. These clients, mainly salaried middle and lower income classes have lost faith in the state and left it with a weak constituency. They have started playing an active political role outside the political system as it had been defined by the state. In addition, they have initiated what became to be known as the gray or black market, meaning economic activities outside the "official" economic system and less controlled by the government.

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Table 1
Economic Crisis

Country	Inflation(1)		GNP per capita(2)	GDP(3)	
	1965-80	80-90	1965-90	1965-80	80-90
Mauritania	7.6	9.0	-0.6	2.1	1.4
Egypt	6.4	11.8	4.1	7.3	5.0
Sudan	11.5	na	na	3.8	na
Morocco	7.0	7.2	2.3	5.7	4.0
Syria	7.9	14.6	2.9	9.1	2.1
Jordan	na	na	na	na	na
Tunisia	6.7	7.4	3.2	6.5	3.6
Algeria	10.9	6.6	2.1	na	3.1
Lebanon	na	na	na	na	na
Yemen Rep	na	na	na	na	na
Saudi Arab	17.9	-4.2	2.6	10.6	-1.8
Iraq	na	na	na	na	na
Libya	15.4	0.2	-3.0	4.2	na
Oman	19.9	na	6.4	13.0	12.8
U.A.E.	na	1.1	na	na	-4.5
Kuwait	15.9	-2.7	-4.0	1.6	0.7

(1) Average annual rate of inflation (percent.)
(2) Average annual growth rate of GNP per capita (percent.)
(3) Average annual growth rate of GDP (percent.)
Source: The World Bank., (1992) *World Development Report 1992*, Oxford University Press. Tables 1 & 2, pp. 218-221.

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Table 2
External Debt

Country	External debt millions of $	Exports		Debt as a % of GNP		Debt service as a % of exports	
	1990	80	90	80	90	80	90
Mauritania	2,227	306.6	449.8	125.7	226.6	17.3	13.9
Egypt	39,885	227.7	300.8	97.8	126.5	14.8	25.7
Sudan	15,383	499.4	1,829.1	77.2	na	25.5	5.8
Morocco	23,524	224.5	282.5	53.3	97.1	32.7	23.4
Syria	16,446	106.2	301.2	27.1	118.1	11.4	26.9
Jordan	7,678	79.2	249.2	na	221.1	8.4	23.0
Tunisia	7,534	96.0	127.7	41.6	62.2	14.8	25.8
Algeria	26,806	130.0	193.0	47.1	53.1	27.1	59.4
Lebanon	1,932	na	na	na	na	na	na
Yemen Rep	6,236	na	214.2	na	97.1	na	5.4
Oman	2,484	15.4	42.1	11.2	na	6.4	13.0

Source: The World Bank., (1992) *World Development Report 1992*, New York: Oxford University Press, Tables 21 & 24, pp. 258-265.

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Table 3
Public Expenditure & Revenue

Country	Expenditure as a % of GNP		Revenue as a % of GNP	
	1972	1990	1972	1990
Mauritania	na	33.5	na	21.8
Egypt	na	40.2	na	35.9
Sudan	19.2	na	18.5	na
Morocco	22.8	na	18.5	na
Syria	29.0	28.0	25.3	25.5
Jordan	na	39.4	na	22.3
Tunisia	23.1	37.2	23.6	31.8
Algeria	na	na	na	na
Lebanon	na	na	na	na
Yemen Rep	na	na	na	na
Saudi Arabia	na	na	na	na
Iraq	na	na	na	na
Libya	na	na	na	na
Oman	62.1	48.6	47.4	38.2
U.A.E	3.8	13.0	0.2	1.3
Kuwait	34.4	31.0	55.2	23.6

Source: The World Bank, (1992) *World Development Report 1992*, New York: Oxford University Press. Tables 11 & 12, PP.238-241.

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Table 4
Official Development Assistance (ODA): Receipts

Country	Net disbursement of ODA from all sources in m.of $							Pct
	84	85	86	87	88	89	90	GNP
Mauritania	175	209	225	185	184	242	211	20.0
Egypt	1,794	1,791	1,716	1,773	1,537	1,537	5604	15.9
Sudan	622	1128	945	898	937	772	792	9.3
Morocco	352	785	403	447	481	450	970	3.8
Syria	641	610	728	684	191	127	650	4.4
Jordan	687	538	564	577	417	273	891	22.8
Tunisia	178	163	222	274	316	234	316	2.5
Algeria	122	173	165	214	171	152	227	0.4
Lebanon	77	83	62	101	141	119	134	na
Yemen Rep	326	283	257	422	303	358	392	5.6
Saudi Arab	36	29	31	22	19	36	44	na
Iraq	4	26	33	91	10	11	52	na
Libya	5	5	11	6	6	17	20	na
Oman	67	78	84	16	1	18	69	na
U.A.E.	3	4	34	115	-12	-6	5	na
Kuwait	4	4	5	3	6	4	3	na

Source: The World Bank, (1992) *World Development Report 1992*, New York: Oxford University Press. Table 20, pp.256-257

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Table 5
Official Development Assistance From OAPEC

Year	Millions of US dollars	As a Percentage of GNP
1976	4,937	4.23
1980	9,538	3.22
1983	4,798	1.70
1984	4,366	1.60
1985	3,610	1.39
1986	4,498	1.80
1987	3,289	1.10
1988	2,261	0.86
1989	na	na
1990	na	na

OAPEC: Organization of Arab Petroleum Exporting Countries.
Source: The World Bank (1992).,*World Development Report 1992*, New York: Oxford University Press. Table 19, p.255.

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In response and in an attempt to regain the grounds it had lost, the state had two alternatives either coercion or liberalization. In most cases, the state has chosen both, a mixture of the two strategies. In its efforts to reach out to these deserting groups the state was compelled to change the form of the political process, not the substance, from a patron-client relationship to a one in which political associations participate but, an important but, with the state as the soul orchestrator to the socio-economic conflict.

The relative decline of the economic might of the state has been reflected in a growing role of the private sector. As expected, these beneficiaries of the economic reform did request a bigger share in the political pie to correspond to their wider economic basis.

To sum up, with the growing inability of the state to satisfy the basic needs of its population, the state was forced to open up the centralized economic and political systems to release the pressure. The increasing economic power for certain groups made them demand more participation in the political process to cope with and assure their economic gains. These developments have coincided with changes in the structure of the ruling coalitions.

Ruling Coalitions:

As has been stated in the introduction, the Arab World since the late 1980s and early 1990s has been experiencing a modest wave of economic and political reform which varies in its motives and consequences from one country to another. This reform is an expression of the change of the relative power of the components of the ruling elites. Reform is a dynamic process in which certain groups gain and others lose.

During the state-led economy (1950-1973), the ruling coalitions in many Arab countries consisted of the military, the public sector, organized labor, and urban, white-collar interests. In most cases these groups adopted centralization of both economic and political systems as the best vehicle to serve their perceived interests.

However, both as a reason and a consequence of the reform process the structure of the coalition, the perceived interests, and the methods to achieve them have changed. The economic crisis led to economic reform which caused certain groups to gain and others to lose. This change in the economic power of different

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groups has been reflected in the political coalition. The new one includes the military, the commercial agriculture, private industrialists, and export sectors. The relative weight of each group varies across time and across countries. But in most cases the state representatives (from the military, the bureaucracy, the ruling party, and/or the royal family) have the upper hand in the political process. Still, these old-new socio-economic powers exert pressure on the state to allow political liberalization. By now, they enjoy independent economic basis from the state and they do utilize their growing power to challenge the political system.

Another important development related to the impact of economic crisis on both economic and political reforms is the growing tax burden (the ratio of total tax revenues to GDP) in many Arab countries. With the drying up of financial resources, the state had no other option but to extract more taxes from its population. More taxation has fueled the demand for more representation which in its turn is changing the structure of the ruling coalition. In addition to taxation and other domestic financial resources, many Arab countries depend on foreign resources as well. These international resources have influenced the process of economic and political reform.

The International System

The role of the international system in the shift toward economic and political reform has been significant and to some extent misunderstood. In response to the severe economic crisis in the late 1960s and the external shocks in the 1970s, many Arab countries were not able to depend solely on their domestic resources. Consequently, the international financial institutions such as the International Monetary Fund (IMF), the World Bank (IBRD), and the United States Agency for International Development (USAID) started to have a stronger voice in determining the course of the economic system and to some extent the political process.

Two important facts need to be emphasized here. First, in about the mid 1980s there has been an ideological shift in these international financial institutions toward market economy. For many years they funded governmental projects aiming at reforming the public sector rather than eliminating it. Second, in the last few

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years there has been a growing consensus on the correlation between market economy and political liberalization. Haggard and Kaufman (1992) explain it as follows,

By the end of the 1980s, political elites in the developed world increasingly came to view political democratization and economic liberalization as mutually interdependent processes. Aid donors increasingly argued that improved "governance" was a prerequisite for economic reform, and that attention to political liberalization and even "political conditionality" should be added to economic policy conditionality. (p.331.)

In addition to the role of the international financial institutions, the severity of the economic crisis as well as the change in the international economic system have played a significant role in reinforcing both privatization and democratization. Since the mid 1970s, there has been a growing understanding that integration in the international market is an important step to alleviate the shortcomings of economic centralization. The state by itself was not able to solve the problems of employment, food, and investment. On the other side, the important players in the world economy have become more dependent on each other. The outcome has been a growing integration in the international market which has reinforced both economic and political reform.

To sum up, the economic crisis diminished any credibility economic centralization had and promoted both changes in the incumbent elite-structure and integration in the international system. These circumstances are not unique to the Arab World. Many countries in the Third World have faced similar conditions. The outcome in many cases was a bold movement toward privatization and democratization. However, the results in the Arab World have not been as promising as they should be.

Privatization and democratization: an assessment

The legitimacy crisis had crushed the majority of Third World countries in the last two decades in both its economic and political aspects. The response in the Arab World in general has been much slower and disappointing than the experience in other regions. In a Congressional hearing an expert on Arab affairs described the efforts for economic and political reform as follows,

By and large, the leaders of the Arab states have spent the

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past 15 years engaged in short-term accommodation. They imposed some economic austerity measures which they hope will buy them debt rescheduling, which will put off the problem of more fundamental economic reform until some future date when conditions may be better. Likewise, they have engaged in a limited democratic reform to buy them the political legitimacy necessary to engage in economic reform in the hopes that they can put off a broader political change until some point in the future when conditions are better (Sadowski 1991, p.21.)

The Arab experience can be labeled as a gradual economic reform and political liberalization from above. Liberalization refers to measures to tolerate certain (unidentified) levels of freedom of expression and association. Many reasons have been provided to explain the slow progress on the two fronts. This study examines the role the state has played in both processes: privatization and democratization.

The Rentier State:

The economic crisis, the change of the ruling coalition, and the change in the international system all have pointed out in one direction: the necessity of economic and political reform. However, the Arab regimes' response has been much slower and weaker than expected. An important explanation can be found in the concept "rentier" which characterizes most of the Arab countries. A rentier state is the one that derives a substantial part of its revenue from foreign sources and under the form of rent (i.e. selling goods or services at prices well above their production costs.) (Beblawi & Luciani 1987, p.11.)

There are two kinds of rent in the Arab World: the economic rent such as oil and labor remittances, and strategic rent such as making peace with Israel and counteracting the Iranian threat. Reform is a very stressful process. Most countries try to put it off as long as they can. The petrodollars and labor remittances had enabled Arab countries to delay the urgently-needed liberalization during most of the 1980s. To make things even worse, most of the countries used this extra cash to finance consumption instead of investment. The outcome has been a prolonged and deeper economic and political crisis.

The United States and the West have vital strategic interests

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in the Arab World. Making peace between the Arabs and the Israelis and preventing another Islamic revolution are among the most important Western interests in the area. In many cases it seems that the West has been faced with the choice between encouraging privatization and democratization, or preserving stability. The latter has been much more attractive to most of Western leaders including United States. This strategic rent explains the massive American aid to Egypt since the mid 1970s (Table 4) and the restoration of the royal family in Kuwait regardless of how democratic they are. Even in Iraq, it seems that the United States and the West are more willing to tolerate the brutality of Saddam Hussein than a democratic but less stable state in which the Shiia and the Kurds would enjoy freedom.

These strategic interests have made the West more reluctant to exert pressure on Arab countries concerning internal affairs. The Arab leaders, on their side, have had less incentives to change since they know that, even with their growing dependence on the West, at the end liberalization could be sacrificed for the sake of stability.

In addition to the utilization of both the economic and strategic rents, the state's ability to maneuver has been affected by how much power it really has.

The Soft State:

A successful introduction and implementation of economic and political reform requires a delicate balance between the state and the society. On one side, the state should be strong enough to preserve order and carry on the reform. On the other side, the state should not be too powerful to prevent labor unions, free mass media, women's associations, professional and business associations from playing their vital role in the process of liberalization.

The state in the Arab World, in most cases, has lacked these qualifications. Rather, it can be described as a "soft state." The concept refers to types of social undiscipline such as deficiencies in legislation, disobedience by public officials, and corruption. (Myrdal, 1970.)

The inability and inadequateness of the state to define and perform its role has been a major setback for both economic and

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political reforms. Moreover, the durability of the authoritarian regimes in the Arab World is striking and represents a basic barrier for liberalization. Krasner (1982) defines regimes as,

> Sets of implicit or explicit principles, norms, rules, and decision-making procedures. Principles are beliefs of fact, causation, and rectitude. Norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for actions. Decision-making procedures are prevailing practices for making and implementing collective choice. (p.182.)

It is amazing that most changes in Arab politics have been in personnel not regimes (in contrast to countries like Turkey or Chile) and in consequence the Arab countries have not experienced a dramatic change either in their economic or political systems. The soft state is still there. Moreover, it is not withering rather it is redefining its role.

Conclusion

The introduction and implementation of economic and political liberalization is the outcome of interaction between domestic and international forces. In the Arab World the progress toward privatization and democratization has been very modest comparing with other regions particularly considering the natural and human resources it possesses. It has been argued that economic reform and political liberalization are heavily connected to each other. The same forces which introduced privatization (economic crisis, ruling coalition, and international system) have paved the way for democratization. However, because of the rentier economy and the soft state the outcome has been a slow process of gradual economic reform and liberalization from above.

The Gulf War has deepened the economic crisis in the whole area. It is true that some countries have achieved relative gains and others relative losses. But, considering the costs of the war, the area as a whole is much poorer now than what it was before the fighting. In other words, while the economic pie may have been re-sliced into different portions, the total size of the pie has been greatly reduced. Consequently, Arab aid from Saudi Arabia, Kuwait and other Gulf states has been even less than what it was

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before the War, as Table 5 shows. In addition with the prolonged recession in the West and an increasing number of recipients of foreign aid, mainly Russia and Eastern Europe, the ability of the United States and other Western countries to finance the "strategic rent" is in decline.

The War has also eroded the legitimacy of the involved states on the two sides: the losers and the winners. It is really hard for any county to claim victory. In the recent history major wars had brought dramatic changes to the area. The 1948 War introduced Arab nationalism, the 1967 War Islamic fundamentalism, and the 1973 War oil revolution. The impact of the Gulf War is yet to be seen.

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Deepening Third World Rural Financial Markets

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A major structural characteristic of the majority of Less Developed Countries is the limited scope of the formal financial system and the resultant lack of depth of the rural financial market Recognition of the limitations placed on growth and development by the shallow rural financial system coupled with poor domestic savings mobilization and resource allocation have led to an increased interest on the part of LDC governments and International Development Agencies to explore avenues to deepen the rural financial market. This paper explores this "new" direction of development emphasis by examining options and strategies that may be considered by LDCs in their efforts to deepen rural financial intermediation.

Any strategy or effort aimed at deepening rural financial markets in Less Developed Countries (LDCs) will require actions on the part of LDC governments in particular, and the support of Development Assistance Agencies (DAA)[1] in creating an economic environment that will be supportive of such objectives. Such environment must foster conditions that will allow and encourage financial innovation and competition as well as broaden and integrate the financial markets. "Since financial innovations lead to a variety of specialized dealers and markets, they create a diversity of financial instruments, each with unique characteristics and features. This diversity of financial products enables both primary savers and borrowers to choose among instruments better suited to their special requirements and it, thus, stimulates savings in the form of financial assets as well as borrowing that promotes a more efficient allocation and use of investable resources. Further, the competition among this array of specialized dealers in mobilizing financial resources from primary savers tends to integrate the various financial markets".[2]

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Incidentally, innovations may only become possible where there exists: (1) a climate of trust and confidence among market participants, (2) effective and enforceable legal framework, (3) some degree of monetary and economic stability, as this will facilitate the subjective evaluation of risk by market participants, and (4) no legal or customary obstacles to experimentation and innovation, particularly with regard to the so-called informal credit markets.[3]

Governments of LDCs and DAAs alike should therefore review their role and activities towards deepening rural financial markets as that of supporting and promoting policy interventions in these areas. Such considerations must also include those that impact on costs and risks (i.e. reducing cost and risk-increasing interventions while increasing cost and risk-reducing interventions)[4], both key factors and considerations in the growth and development of rural financial markets, the rural economy, and the national economy. Furthermore, any such intervention must not be one-sided[5], focusing only on credit allocation, but must emphasize and encourage savings mobilization as well.

The Dilemma

Admittedly, the economic climate and conditions in the majority of LDCs in the past decade can hardly be said to be favorable or progressive. Earlier decades were perhaps no better. Amidst the huge problems (political, social and economic), that most LDCs continue to face, there remains those conspicuous characteristics LDCs have come to be associated with. These include shallow and poorly developed financial markets and the chronic problem of lack of accessibility to formal financial services by rural residents.

Government policy makers have hardly escaped blame for their neglect of this problem, nor have DAA agencies whose prescriptions and conditionalities have at times added to the existing problems. Yet efforts continue among a growing number of LDCs to find solutions to their economic problems.

Solving LDC problems is by no means a task that lends itself to easy or quick solutions, nor are the problems they face subject to a general or homogenous approach. By and large, experimentation and innovation will remain one of the few available avenues,

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and so are efforts and strategies for deepening the rural financial system.

Across a growing number of LDCs such efforts are evident in a growing number of changes, all part of reforms of the financial system. Some of these reforms have included revisions or abrogation of existing legislations, or enactment of new legislations aimed at adding depth and breath to the rural financial markets and the financial system as a whole.[6] In several of the countries that have moved along these lines, some of the legislations are expected to provide a framework for a new direction of monetary policy, among other features that (1) rely on indirect rather than direct monetary instruments (away from direct control of credit and interest rates), (2) provide for the development or enhancement of capital markets, (3) are aimed at expanding and deepening the money markets, (4) provide stability to the national economy and (5) stimulate growth.

Together, these legislations and accompanying changes are aimed at providing as well as strengthening the legal and operational framework needed to deepen the level of financial intermediation in the system. The ongoing reforms, including the liberalization of interest rates, are useful if further deepening is to be accomplished as this may encourage the formation of new, broad-based financial institutions and may motivate existing institutions to experiment with alternative instruments and services. What may be very much needed is capacity building and infrastructural support for existing as well as new institutions. Such support and encouragement with appropriate incentives will be needed in the development of financial instruments and institutions, especially those institutions that will target the rural, informal and micro-enterprise (ME)[7] sectors. With the entry of more formal financial institutions (FFIs)into the rural market, competition will emerge and the rural financial markets will deepen. As part of the strategy for deepening rural financial intermediation, there will be a need, also, to include those institutions that are already involved in the rural sector and that are better positioned to expand their services to the sector.

The Status Quo

The financial system as it is presently constituted and

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operated in several LDCs has had very limited impact on the rural, informal and microenterprise sectors. These are the sectors whose activities have been and will remain crucial to growth and survival of the poor. For the most part, formal finance presence in the rural sector consists of only a few institutions whose operations are largely non-competitive, but also limited both in size, scope, coverage and reach. This situation has led to a large portion of the rural population and microenterprises remaining unserved or inadequately served by formal finance and who must then depend, especially for their credit needs, on the informal financial market (IFM).

Formal Financial Market/Institutions

Success in deepening rural financial intermediation in LDCs require government re-examination of the mandate and legal status of existing formal financial institutions. Evidence abound in the literature of a variety of restrictions and factors that have more or less prevented active participation and presence of FFIs in rural development. Identifying these factors and restrictions and genuinely tackling them should be a priority. Governments should provide the incentives and framework for FFI to expand their present activities in the rural sector. Incidentally, a number of FFIs (particularly semi-formal financial institutions) are currently active in reaching the rural sector (rural households, micro-enterprises, women, and the poor). Their activities, however, remain limited by law to deposit-taking or to credit distribution with an apparent bias towards the latter function. Allowing these institutions to engage in providing full financial services, including savings mobilization, and to experiment with appropriate instruments will deepen the financial system. Furthermore, it will enable them to become viable and sustainable, a capability which most of them are presently lacking.

Informal Financial Market/Institutions

An important observation in most LDCs, particularly in the rural areas, is the role of informal finance and the prominence of informal financial institutions (IFIs) with their non-traditional instruments and operational framework. Well recognized to be a large and growing sector in several LDCs and an important source

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of financing for rural development, LDC governments are yet to seriously embrace this sector's activities and players. Consequently, not much effort has been made to integrate them into the national economic plan. Their activities and position in the rural and national economy is often relegated to a secondary role with little or no coherent policies for nurturing, assisting and integrating them. Notwithstanding the role of the informal financial sector in financing rural development and the potential impact of their activities on macroeconomic policy, most LDCs in practice have continued to pay little attention to the informal financial sector. No doubt, many of the activities and participants in this sector remain unregulated, clandestine, unsupported and illegal, leaving them and the rural economy unable to meet their credit needs and in need of other financial services. It has also deprived the rural and national economy of the opportunity to take advantage of the positive and unique features of the IFM, including its institutions, instruments and *modus operandi*.

Despite the activities and performances of IFIs, the credit needs of rural inhabitants and microenterprises are still inadequately met. For most of the IFI institutions, the absence of any sustainable and formal linkage with the formal financial market continues to make it difficult for them to expand and improve on their services to the rural sector.

Accommodating Informal Financial Institutions

To the extent that IFIs continue to play a significant role in filling the financing gap in rural areas of LDCs, it becomes important not to suppress their activities. Instead, the focus should be in creating an environment (legal and economic) suitable for the cooperation and co-existence of both the formal and the informal sector, in forging a link between them and in using that linkage to deepen and expand on existing services in the rural sector. This will foster competition, expand the existing pool of institutions and instruments, and deepen the financial system. The resultant wider geographic coverage of IFIs will provide additional impetus for economic growth and the alleviation of rural poverty. Informal sector activities should not be discouraged. Rather, as the financial system develops a more efficient mechanism for mobilizing and allocating financial resources, the formal sector will

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gradually replace and/or complement their activities, drawing on their strengths and good qualities.

Most informal sector activities are focused toward credit provision, and IFIs have developed instruments for carrying out this task. These institutions could serve as financial intermediaries and be used to on-lend funds. Similarly, some could also be allowed to establish deposit facilities independently or in conjunction with established formal financial institutions. Savings is an important motive in forming a number of the IFIs in LDCs (e.g. ROSCAS[8]), yet most of the IFIs do not offer deposit facilities. Allowing some of these institutions to officially engage in both resource mobilization and allocation and to be linked with FFIs has the added benefit of providing a framework for monetizing the rural household. This is more so since these institutions are already better positioned to offer acceptable varieties of financial assets. Obviously, the participation of these institutions will require appropriate legislation and other operational details. Presently, their activities remain limited and ignored and, in some cases, unsanctioned and underground. As more and more LDCs explore innovative ways to deepen both the rural and national financial markets, it may be just time for policy makers in LDCs and donor and Development Assistance Agencies alike to boldly confront this untapped frontier. Success with providing increased financial services to the majority of rural residents may come, in large part, from finding new frontiers, including new institutions and instruments to deepen rural finance. It may also result from the integration of FFM with IFM whose mode of operation and instruments appear so far to be well suited, accepted and, in most cases, preferred to those of the former.

Although in the short term, the transformation and expansion of the legal mandate of some of the formal and informal financial institutions will add depth to the financial system, it remains doubtful if such expansion will be adequate or if it will substantially increase formal financial services to the rural sector and to microenterprises. This leaves the option of setting up and encouraging the formation of new, broad-based financial institutions capable of providing a variety of services to the rural sector. To ensure viability and sustainability (the new buzz word among donor agencies), and to minimize some of the problems presently

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limiting existing Development Financial Institutions (DFIs), such institutions should be independent of the Government. Furthermore, they should be run along commercial lines and with a broader mandate to explore and use alternative financial instruments and assets suitable for rural savers and borrowers and microenterprises alike.

Non-Governmental Organizations

Efforts to deepen the rural financial system should, in like manner, engage the activities of NGOs. As national governments and donor agencies alike look up with optimism to the growing number of NGOs as an alternative mechanism for reaching the poor, the rural sector and microenterprises, consideration could also be given to allowing the NGOs to engage actively in resource mobilization. Although there are just a few well organized NGOs in most LDCs, many of their activities appear concentrated more in resource allocation than in savings mobilization. With appropriate incentives, encouragement and legal authority, they may be able to provide a wider range of financial services to the rural population.

Conclusion

By and large, success in deepening rural financial markets in LDCs, at least in the short term, will depend on success in creating competition in the system. This may come about through introducing and/or encouraging broad-based financial institutions to service the rural sector, expanding the role and activities of existing formal financial institutions servicing the sector, and linking the activities of the formal and informal markets. Ultimately, rural financial deepening will come from the increased financial innovation and competition that will emerge between the markets in servicing the rural sector, the variety of financial instruments and services that will be made available to rural inhabitants, and the opportunity to venture into capital market activities. For maximum success, and on a more serious note, LDC governments and DAA must keep up with the momentum, at least in line with the growing number of structural and financial reforms already taking place in a number of developing countries and in the rural sectors of these countries. The reality of the economic condition

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of the majority of LDCs clearly lend itself to a sustained interest and clear policies on the part of LDC leaders. It also lends itself to sheer guts in mustering the political will to explore new economic growth paths and to be seriously committed to deepening the financial system and forging collaboration between the formal and informal markets.

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ENDNOTES

1. For example, the International Monetary Fund (IMF) and the World Bank. The term DAA is used here to include Donor Agencies.

2. V.V. Bhatt "Financial Innovations and Development" in J.D. Von Pischke, Dale Adams, and Gordon Donald, (eds) *Rural Financial Markets in Developing Countries* John Hopkins University Press, Baltimore, 1983, P.46.

3. Ibid, p.47

4. Risk and cost-increasing interventions will include, for example, policies that opt for interest rate ceilings, credit allocation quotas, and directed credits. Risk and cost-reducing interventions, for example, will include policies that opt for deposit insurance, credit guarantee schemes, as well as those that will improve access of farmers and microenterprises to financial and technical consultants.

5. J.D. Von Pischke, "The pitfalls of Specialized Farm Credit Institutions in Low-income Countries", in Von Pischke et al (eds) 1983) pp.178-180.

6. World Bank, *World Development Report 1989*, PP. 122-130.

7. The term microenterprises is used here to include small and medium size businesses, mostly non-corporate.

8. Rotating Savings and Credit Associations. For a detailed discussion on ROSCAS, See Nwanna (1989); *World Development Report 1989: Financial Systems and Development*, p. 114.

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Nations at the Crossroads

Unification Policies for Germany, Korea and China

Diane D. Pikcunas

The Process of German Unification

Korea: Is Unification a Viable Option?

The Two Chinas: Obstacles to Unification

Taipei's Approach to Unification with the Mainland
by Jason C. Hu

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Discrimination and Differentiation: An Ethical and Biological Issue

George Sunderland
Policy Analyst, Washington, D.C.

This paper discusses the ethical and biological implications of the concept of discrimination. The author perceives freedom of speech and action as endangered by prevailing anti-discrimination laws and notes that certain of these run counter to sociobiological reality.

According to the *Oxford English Dictionary*, discrimination is defined as "the act of discriminating or distinguishing; a distinction (made with the mind or in action); the power of observing differences accurately, or to making exact distinctions." This traditional definition is relatively value neutral, and permitted the word to be used in favorable, as well as negative, contexts. Indeed, to have called a man or woman a discriminating person was traditionally considered a high compliment to a person's judgment, discretion, or taste.

By a kind of linguistic Gresham's Law, however, the verbal equivalent of base metal has driven the verbal equivalent of gold coinage out of circulation. Since the mid-1950s in America, the word "discrimination" has come to acquire an exclusively negative shading because of its politically loaded use as a term of condemnation. Discrimination has quickly acquired the following meaning: unfair and reprehensible behavior towards a representative of a given race, religion, ethnic group, sex, or behavioral dysfunction (e.g., homosexuality). Latterly, it has been regarded as invidious and legally actionable for a citizen to even notice or comment upon the distinguishing characteristics of some offended group, even if no unfair action follows.

This new meaning of the word discrimination has spread internationally in parallel with the current Western ideological movement to compel the belief that all the races of mankind are

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identical. In some languages, the introduction of the word "discrimination" to other languages has resulted in linguistic monstrosities. While in English one discriminates in favor of or against something, in German the word has acquired a transitive usage as seen in the following example of the results of a playground quarrel: "Mutti, er hat mich diskriminiert!"

Free Speech: One of the First Casualties

Amusing as such solecisms are, it is a fact that in virtually all industrialized Western societies discrimination as recently defined is regarded with official opprobrium, and large sums of tax money are spent to root it out and criminalize transgressors. Indeed, Canada has surpassed the United States in this respect, as there have already been cases of individuals whose writings have been suppressed because they were considered discriminatory. Whether in Canada, America, or Britain, combatting discrimination has come to be a major function of government. Commissions are established, laws and regulations are promulgated, employees are enrolled in compulsory lectures, private businesses are obliged to certify nondiscrimination, and government security clearances can be withheld on the basis of hearsay testimony regarding an individual's alleged discriminatory remarks.

Before we consider the long-run implications of such policy enforcement, however, I would like to draw the reader's attention back to the original meaning of discrimination, and examine it as an adaptive behavior in human beings. As the Oxford dictionary definition makes clear, discrimination is actually the cognitive ability to differentiate. While this capacity may be very rudimentary in the lower orders of fauna, such as insects, as we ascend the phylogenetic scale, life becomes more complex and its ability to survive depends on simple judgments based on the ability to perceive differences. Is the creature of my own species who is approaching me friend or foe? Is that animal dangerous or tame? Is this plant poisonous or edible? Distinctions of this sort are ludicrously simple, but they form the experiential data base of any creature that expects to survive and propagate. Internalized, these distinctions become prejudices, i.e., mnemonic devices that help sentient creatures cope with unfamiliar situations. The human species, in the absence of tropism and instinct, requires the ability

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to differentiate.

An increasing sophistication in roles and diversity of skills in human societies came with the development of a sophisticated capacity to differentiate experience. Within individual communities there arose the separation of individual members according to roles and duties. This process is essentially the same as the free market notion of specialization of labor; the surpluses created by specialization of function permitted not only material abundance, but the development of a higher level of culture. Culture is always dependent on the perception of members of the human species as differentiated individuals, rather than as reflexive components of a group. It is the achievement of individual identity which marks the dawn of *Homo sapiens*.

With the acquisition of sapiency and culture, mankind developed religion and religion-derived systems of ethical conduct. A distinguishing feature of every known religion and ethical system has been the construction of a hierarchy of values. It would be a metaphysical absurdity otherwise, for a religion or ethic without a scale of values would have no justification to exist. Characteristic of all moral systems, at least until the advent of existentialism and moral relativism in the twentieth century, has been a clear differentiation between good and evil.

Until the end of the eighteenth century, the principle that man was a sapient individual, responsible to a deity for his acts, was undisputed within the ambit of Western Civilization. The first crack in this value system appeared in the writings of the philosophers of the French Revolution, such as Rousseau and Robespierre. They were affronted by the existence of different classes and economic conditions within society, which could only be remedied by a radical levelling of the conditions of individual men and women within their republic of virtue. The revolutionaries' plans reveal not merely a desire to alleviate the burden of immemorial poverty, but a positive desire to erase any distinction between citizens for its own sake. Forcing the King to don the tricolor rosette and be addressed as *citoyen* Capet could not conceivably enrich the nation, but it was seen as a positive virtue to eliminate the differences which distinguish one man from his neighbor.

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An Exercise in Income and Status Equalization

The modern movement to erase distinctions among human beings thus began largely as an exercise in income and status equalization among citizens within a nation. Throughout the nineteenth and twentieth centuries, this movement has acquired messianic legitimation through Marxist doctrine, and has increased in both intensity and geographic distribution to the point where laissez faire economics is only permitted in a handful of states on the Pacific Rim. The political collapse of the Leninist variant of Marxism does not seem likely to significantly delegitimize the world-wide movement toward income and status levelling; on the contrary, the creation of the "Single Europe", directed by a socialist-bureaucratic secretariat headquartered in Brussels, is likely to increase income redistribution in Western Europe while putting the brake on free market entrepreneurialism further east.

During the latter half of the twentieth century, social and economic levelling have been supplemented by a global political movement for racial homogenization. Since the mid-1940s at the latest (coincident with the founding of the United Nations), political elites have regarded those phenomena which distinguish the various racial *taxa* in a cultural sense - economic success, scientific achievement, and artistic tradition, among other traits - as obstacles to be removed through exhortation, education, and the force of law. According to the theories of anthropological relativism popularized by Franz Boas and Margaret Meade, since all cultures are *ipso facto* equal, the inequalities between groups are consequently false and meretricious, and can only be explained by other factors, such as the exploitation of one group by another. This twisted reasoning lies behind such political programs as the U.N.'s New Economic Order (NEC) – global income redistribution to favor those racial groups that are less advanced – the Genocide convention (which defines statements that could be construed as leading to "mental harm" to other races as genocidal acts meriting extradition and trial), and UNESCO's programs of cultural propaganda paid for by the taxpayers of the wealthier Western counties.

Within the Western nations themselves, the governmental apparatuses have implemented a panoply of legal and regulative measures to eliminate distinctions between racial groups, such as hiring and representational quotas, "antidiscrimination" laws which

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weaken property rights, and various measures designed to suppress speech which might draw attention to racial differences. Even more pervasive than the legal measures, however, has been the more-or-less unofficial practice of social coercion. While certain forms of speech touching on racial, ethnic, and related distinctions are not formally proscribed, injudicious remarks will usually result in pressure by organized groups to remove the offending individual from his place of employment; image-conscious corporations, anxious to avoid guilt by association, usually comply with demands of the aggrieved minority.

By this process, the First Amendment to the Constitution, which employ to legitimize various forms of non-verbal behavior (such as pornography and flag-burning) as "protected speech," has ironically become a dead letter for many traditional words and forms of speech currently ostracized by the antidiscrimination movement. The career paths of James Watt, Jimmy "the Greek" Snyder, Jackie Mason, and Andy Rooney are illustrative of this phenomenon.

"The Hate Crimes Statistics Act"

However, these informal persecutions are likely to gain the force of law before the year 2000 in America. Not only is there ample legal precedent in other Western countries, but recent legislative initiatives suggest that organized social coercion by the antidiscrimination movement will eventually be supplemented by a broad range of civil and criminal penalties. In February, the U.S. Senate passed legislation emotively titled "The Hate Crimes Statistics Act". This bill seeks to encourage the Justice Department to pass judgment on whether certain crimes, misdemeanors, and civilly actionable behaviors are motivated by racial, ethnic or anti-homosexual "hate." Not only does this bill thereby involve the federal government in law enforcement activities that were previously the domain of state and local authorities, it also implicitly attempts to redefine common sense concepts of "crime." If injudicious speech is motivated by "hate," is the commission of robbery and murder by a professional criminal (which falls outside the penumbra of the bill) considered a lesser act because it was presumably motivated by desire for economic gain? On the other hand, is the American criminal class not motivated, at least in

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part, by hatred of normal members of society? To read the legislation, one would have to conclude otherwise.

The average middle class American might venture surprise that the political elites would regard rude language towards a homosexual as a more serious "crime" than murder, since the former merits urgent federal attention and the latter does not. But that is precisely the tendency of American political elites, whose membership is largely composed of the antidiscrimination movement. It is noteworthy that President Bush's proposed Omnibus Anticrime Act (which attempts to deal with the sorts of crime that most Americans encounter) has not received a favorable review from Congress.

It is also worth noting a feature of the Hate Crimes bill which implies a melding of government and private activist groups. A provision of the bill exhorts the Justice Department to "coordinate" its statistics gathering activities with such quasi-private groups as the B'nai B'rith and the NAACP. This statute suggests therefore that agencies of a popularly elected government are either technically incompetent or insufficiently zealous to properly carry out the law on their own. By omission, also, the bill insinuates that the average unaffiliated citizen's views on what constitutes hate do not carry the same weight as those of the abovementioned groups. The implication that a sanhedrin of private groups is required to pass judgment on law enforcement matters suggests that within a few years the socially coercive powers of private "antidiscrimination groups" will be fused with the executive and judicial power of government.

The Civil Rights bill, which was killed by President Bush but which will likely be resurrected in essentially similar form, would make civilly liable those employers who cannot prove in court that the qualifications for employment they have established are "essential" for the job description. In other words, the plaintiff would not have to prove discrimination in order to receive a judgment; while the defendant must not only prove that no discrimination took place, but also that the stated qualifications for the job (e.g., a university degree or tangible experience in the field) are not merely "reasonable" but *essential*. Aside from the chilling implication that the shift of the burden of proof from the plaintiff to the defendant has for the protection of Constitutional

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rights, this bill marvelously illustrates the unstated philosophy behind the antidiscrimination movement that has persisted since Rousseau: the refusal to make reasonable distinctions, and the desire to force others to desist from making such distinctions.

Discrimination is a Natural Process

The common denominator among all antidiscrimination movements, whether they are concerned with skin color, income, sex, individual ability, or dysfunctional behaviors, is that they resolutely refuse to honor traditional common sense distinctions that have helped keep societies on an even keel. They object to sodomy laws, for instance, on the grounds that such laws "discriminate" against homosexuals. But that is precisely the point: the need to protect society (and its children) against the kind of dysfunctional behavior which spreads disease and social dissolution. Vagrancy laws "discriminate" against vagrants. Laws to institutionalize the insane "discriminate" against the insane, and so on. Of course, when a society no longer discriminates against the insane by institutionalizing them, it ends up with more vagrants.

This litany of folly is virtually endless. The death penalty "discriminates" against those groups of people from whose ranks most murderers are drawn. Intelligence tests "discriminate" against those with lesser intelligence. English grammar "discriminates" against women. Western culture "discriminates" against all that is not Western culture. A set of stairs "discriminates" against the physically disabled. Airline safety regulations "discriminate" against the blind. Private clubs "discriminate" because they are not public clubs, i.e., open to everybody. This process leads to a startling conclusion: if something is true to its original intent or definition it is *ipso facto* discriminatory, because it is a set which does not intersect with all other sets. A man is discriminatory because he is not a woman; QED.

This paradigm, if allowed to control all aspects of society, may eventually lead to the breakdown of society itself, because the society which accepts this paradigm will not only be unable to defend its institutions philosophically, but physically as well. In the 1960s and 70s, police forces abolished height and weight requirements for police officer candidates because these qualifications "discriminated" against women. As a result, police departments

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must not only accept understrength women but puny men as well. Unfortunately for society, such physical specimens in police uniform are not only less able to defend themselves in a violent confrontation, their unimposing appearance means they are less able to deter violence by their very presence. A recent incident in Mansfield, Ohio, is a revealing case in point. Two prisoners being arraigned were reported to have overpowered an armed woman police officer, leading to a hostage situation.

However, the public report attempted to conceal the gravity of the situation by distorting the truth. In fact, the two felons overpowered *four* armed female officers and relieved them of their sidearms. The press, by covering up the truth in its efforts to avoid hurting people's feelings, is misleading the citizenry about the danger to public safety posed by misguided social engineering.

The quality of the police forces is being further eroded by requirements that entrance examinations be "normed" (i.e. fudged) downward so as to permit unrestricted hiring of various racial and ethnic minorities. As older cohorts of police officers reach retirement age, therefore, police forces across the country will have to face the fact that their personnel will increasingly consist of individuals who are either physically or mentally unfit by traditional standards. One cannot overestimate the danger to public safety that such a transformation in law enforcement will portend, but it will be extremely difficult to counter the anti-discrimination paradigm, which dictates levelling of standards and refusal to make common sense distinctions.

The standard that there shall be no standard is invading other fields critical to health, safety, and national survival. Traditionally, a fireman has required exceptional physical strength to perform the duties necessary to protect the public. The ability to carry an unconscious man weighing upwards of 200 pounds through a window and down a ladder is a punishing requirement - but it is the whole point of fire fighting. Again, however, standards have been "normed" so that physically weaker women can meet them. While the social effects of this policy may not be felt for some time, within a generation it is bound to dilute the effectiveness of another public service.

The most recent *cause célèbre* of the antidiscrimination movement has been the effort to abolish the combat exclusion rule in

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the military. The movement is challenging one of the most ancient social taboos of all, the principle that women should not fight in wars. There are many profound socio-biological implications to the overthrowing of this taboo, such as the social coarsening of women (who, according to George Gilder, are the true custodians of culture), the physical endangerment of society's childbearers, and the breaking down, in the enemy's mind, of the distinction between combatants and noncombatants.

Women in Combat

Leaving these issues aside for a moment, one should focus more closely on a far simpler and more quantifiable factor: combat effectiveness. Although proponents of women in combat consistently evade the issue, women almost invariably fail to meet the physical standards required of combat soldiers. According to tests conducted by the Marine Corps, for example, most women are unable to throw a hand grenade beyond its lethal bursting radius. That would seem to settle the argument rather conclusively, but antidiscrimination zealots refuse to see why this would matter in practice. Proponents generally fall back on the argument that modern war is such a "high tech" affair that strength really does not matter (ignoring the inconsistency that it is usually they who oppose the acquisition of expensive high tech weapon systems for the reason that they don't work anyway). Nevertheless, veterans of the British Army's slog to Goose Green during the Falklands Campaign or the 82nd Airborne Division's drop into Panama would probably argue against the hypothesis that strength and endurance don't matter in modern war.

There is also a misconception as to why certain warlike societies might conscript women. The Israeli example is often cited as a good reason why women should be allowed into combat, but this is entirely beside the point. Israel conscripts women precisely in order that they can perform administrative and supply functions which thereby free males for service in front-line units. Israeli experience with women in combat units in 1948 was disastrous, weakening the élan of males in the same unit and strengthening the resistance of the enemy.

Proponents of women in combat also glide over the fraternization issue, saying in effect that it simply won't exist among

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professional soldiers of either sex. This assertion contradicts all kinds of common sense experience. The feminists and anti-discrimination advocates, who ordinarily find everyday life replete with sexual harassment, rape, and oppression of the female, contend that these phenomena will magically cease to occur in the U.S. military, even under the stress of combat and the long separation from spouses and mates. In other words, the male is ordinarily a brute, but he will behave like a gentleman in combat.

Before passing on to other aspects of the antidiscrimination phenomenon, it will suffice to reflect on the prospects for national survival if the combat exclusion rule is overturned. Like many other unfavorable social trends, women in combat is an example of the principle of catastrophic gradualism: perhaps the U.S. military can again prevail over a weak opponent like Panama with its combat units composed of ten percent women. It may even prevail under the same circumstances with twenty percent women in the front lines. But should we ever have a fully "integrated" U.S military composed of 50 percent women facing a first class opponent, the United States will suffer a shattering defeat.

The Erosion of Traditional Values

We have already seen how the antidiscrimination movement has begun to erode the traditional hierarchy of religious and moral values common to virtually all cultures, such as protection of women from combat and the public health taboo against homosexual behavior. The antidiscrimination movement, which is at bottom an exercise in moral relativism and epistemological refusal to differentiate among the phenomena of the physical world, is taking aim at other traditional values as well. One might say that the history of Twentieth Century criminology is the story of an effort to make the criminal and the victim change places on the moral ladder. But while this movement was in the past confined to a relatively small number of psychologists and prison-system bureaucrats, since the racial riots of the 1960s the effort to blur the distinction between the criminal and the victim has become a core belief of the antidiscrimination ideology.

The antidiscriminators were faced with the need to rationalize the inconvenient fact that violent crimes were committed in lopsided disproportion by members of certain of the ethnic

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minorities. Rather than accept the hypothesis that increased apprehension and swift punishment would act as such a deterrent as to bring the proportion of future ethnic offenders down, the antidiscrimination movement theorized that (a) the criminals were not responsible for their acts, and (b) the dominant white culture bore the blame.

Since proponents of the antidiscrimination movement are widely represented among judges, lawyers, and parole board members, it now requires the most extraordinary expenditures of time, taxpayer money, and effort to convict a violent criminal and keep him incarcerated. Judicial standards have been revised to the point where the trial is no longer a proceeding to determine guilt or innocence, but rather an exhaustingly long, complicated, and expensive ritual wherein a mountain of evidence may not suffice to convict a criminal, but a scintilla of wrong procedure will serve to set the most violent felon free. Given the almost unbelievable Constitutional protections enjoyed by criminal suspects, the ability of judges to effectively abrogate the decision of the jury by narrow instructions or setting aside jury verdicts, plea bargaining, endless appeals, furloughs from prison, work-release programs, parole, and even arbitrary court-ordered release of inmates because of alleged prison "overcrowding", it is obvious that the ancient and universally held principle that crime entails retribution has been eroded to the point of extinction.

At the same time, progressive political opinion has deemed it necessary to weaken the traditional Anglo-Saxon legal right of self-defense enjoyed by the law-abiding citizenry. The Trojan horse employed for this effort has been the propaganda campaign against private gun ownership, which has taken on curious overtones of animism ("Police Officer Slain by Assault Weapon" is a typical headline). While this partially successful campaign to restrict gun ownership has had no effect on career criminals - indeed, the highest violent crime rates are in jurisdictions with the most stringent gun laws, such as Washington, D.C. - it has made many citizens uneasy about their ability to defend their homes and families.

The prospect of a disarmed public, insufficiently protected by a mentally and physically weakened police force (itself further shackled by the courts and quasi-private antidiscrimination

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"activists") is bound to embolden professional criminals.

Where this will lead should be evident to every sentient headline reader. One of the greatest criminal *cause célèbre* of recent times was the incident involving Bernard Goetz. The facts of the case are universally known. What is significant, however, are the extraordinary lengths to which the New York police went to apprehend Goetz, while one suspects the case would have been handled routinely had he not turned the tables on his would-be assailants. Also revealing was the extreme vindictiveness against Goetz expressed by the Mayor, the District Attorney, official organs such as the *New York Times*, and other "community leaders." Goetz was white, his assailants were black, and so the matter was settled in the minds of those who represented the progressive face of antidiscrimination. The little man had to be made an example, for if the citizens at large were to follow his lead, the whole modern edifice of the criminal justice system - its featherbedding police unions, corrupt judges, criminal psychologists, social workers, halfway house administrators, parole officers, the entire panoply of bureaucrats who draw material sustenance from the perpetuation of criminality - would come crashing to the ground. In order for the gears of modern egalitarian states to mesh smoothly, the victim must trade places with his tormentors.

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Canadian Immigration: An Earlier Perspective

Alex Greer

Many young Canadians today believe that Canada has always been a multi-cultural and multi-ethnic country. This is true only in so far as it was formerly divided on fairly tight geographical lines between French and British-derived populations, with a small minority of American Indians and Inuit eskimoes. However, during the nineteenth century and first decades of this century it was regarded as comprising a nation of Caucasoids, or more precisely a nation of French and of Britsh settlers, willingly acepting only immigrants from Northwestern Europe ethnically affiliated with those two main groups.

Immigration has recently become a leading issue in most Western countries. The backlash against Asian and African immigrants, many illegal, in parts of Europe has made front-page headlines on this side of the Atlantic. The recent incoming boatloads of Chinese and Haitian illegal immigrants and "political refugees" has highlighted similar North American concerns. Unlike Europeans, Americans and Canadians have a richer history of public debate over immigration, on questions of both numbers and of ethnic type. Lothrop Stoddard in his 1920 classic *The Rising Tide of Color* noted that "nothing is more striking than the instinctive and instantaneous solidarity which binds together ... Californians and Canadians into a 'sacred union' at the mere whisper of Asiatic immigration."[1] Traditional American and Canadian immigration policies had deliberately excluded certain ethnic groups, largely for two reasons: a) the short term social problems, e.g., crime and disease, which some immigrants would bring; and b) the long-term threat to the European ethic homogeneity of the Dominion of Canada and of the American Republic.

Since the early 1970s the Canadian federal government has been dedicated to the liberal doctrine of multi-racial immigration

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and "multiculturalism." The Prime Minister at the time, Pierre Trudeau, declared that he rejected "any policy based on race or nationalism" and that he believed that "the future of mankind lies in multinationalism." Canada was to become "different" from the American melting pot, and was to become a "multicultural mosaic." As such it was to be an example of "peace and harmony" for the rest of the world. This doctrine filtered into Canadian public schools, and many students have gained the impression that Canada has always been "multicultural" and encouraging immigration from the four corners of the world. This ideology is very recent, however, and was unheard of in the days prior to the 1960s. As recently as 1947, Canadian Prime Minister, William Lyon MacKenzie King, said that "the people of Canada do not wish as a result of mass immigration to make a fundamental alteration in the character of our population."[2]

Turn-of-the-century North America was a final destination for immigrants in the tens of thousands, many of whom were not from the traditional northern and Western European sources. One writer of that time already described immigration as a "world problem," commenting that it comprised "a vast and endless army ... moving at the rate of nearly 1,500,000 each year..."[3] Most non-British and non-French immigrants at that time came from central, southern and eastern Europe, and they were expected to assimilate rather than become part of some "cultural mosaic." By today's standards, the comments on immigration by even "progressive" Canadian politicians, academics, journalists and churchmen from 1900 to 1960 would be termed "racist."

Immigration and Ideology: Imperialism to Liberalism

For Canadians, immigration became a major media issue in the summers of 1986 and 1987, when the Mulroney government permitted the immigration of "undocumented," that is to say "illegal," Tamil and Sikh "boat people," who had deliberately landed on Canada's shores in an attempt to immigrate without authorization. Liberal pro-"multiculturalists" praised the government's action, despite a largely negative reaction on the part of the Canadian public. These events raised questions of just what kind of future society Canada will be. The opinion-making quartet of politicians, academics, journalists and clergy still contended that

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Canada's manifest destiny is to be a great multiracial and multicultural society to promote world peace. Most opinion polls, however, do not find popular support in Canada for Third World immigration, let alone for more immigration itself.[4]

Prior to the 1960s, English Canada, with its United Empire Loyalist roots, held that its nationstate existed for maintaining the British connection. As Prof. Carl Berger noted in his study of Canadian attitudes on imperialism, "... the sense of nationality and the ideal of imperial unity were interlocked and identical."[5] "A British subject I was born," asserted the first Prime Minister Sir John A. MacDonald, "and a British subject I will die." Maintaining the Anglo-Saxon ideal meant guarding the immigration sluice gates, especially when the Canadian West was opened up for settlement in the 1890s and early 1900s. French Canada, which was rooted in Quebec, also did not want to be an outnumbered part of a multi-cultural Republic. Most French Canadians believed that their survival as a people was most possible in a federal Canada under the British crown. Canadians saw Canada as only "multicultural" in a strictly European sense, and in no way welcomed non-European immigrants. When numbers of Central, Eastern and Southern Europeans began to arrive with the opening of the Canadian West at the turn of the century, a 1902 issue of a Toronto monthly magazine carried this news report:

> It is expected that nearly 70,000 will be added to the population of Western Canada this year by immigration, an increase of 20,000 over last year ... These include Galicians, Italians, Russians, and Germans, and thus far are a better-looking class of people than those of former years ... While thus encouraging desirable immigrants, the Government will use increased vigilance ...[6]

But even European immigrants were expected to assimilate, and Prof. Kenneth McNaught quotes a typical comment in his *Pelican History of Canada*:

> ... So long as Britons and Northwest Europeans constitute the vast majority there is not so much danger of losing our national character. To healthy Britons of good behaviour our welcome is

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> everlasting; but to make this country a dumping ground for the scum and dregs of the Old World means transplanting the evils and vices that they may flourish in a new soil ... What has happened in the United States during a century appears likely to happen in Canada in a few short years ... The non-English-speaking immigrants are in many cases illiterate, and have minds that are unresponsive to Canadian sentiment. Their tendency is to form colonies and establish on Canadian soil their own customs, methods and traditions ... The serious character of the problem may be stated thus: If we do not Canadianize and Christianize the newcomer, he will make us foreigners on our own soil and under our own flag ... It seems that Canada is undertaking to solve a problem that has never successfully been worked out by any people heretofore. We must not only Canadianize the newcomer, but we must check the tide of immigration until we are better prepared to deal with it.[7]

Restrictive immigration was a commonly-held value in Canada's past. The Canadian Government in the 1890s and early 1900s wanted settlers with hardy qualities, which included East Europeans, to survive the prairie environment. Yet most English Canadians were concerned about what vices non-Anglo-Saxons would bring, and about the future maintenance of Canada's Anglo-Saxon identity. To have a united Canada there must be common acceptance of British-rooted political and legal institutions. To fast assimilate the many European newcomers, there was a call for more British immigrants. "The country will profit," read a 1910 issue of *Industrial Canada*, the journal of the Canadian Manufacturers Association, "by a large influx of British Citizens to form the leaven of the great foreign population who, admirable as they are, are still without knowledge of British institutions and principles of life".[8] There was also concern that immigration of certain types would, in the long run, cause extinction of the "native-born" stock. W.S. Wallace writing on "The Canadian Immigration Policy" in *The Canadian Magazine* (February 1908), concluded that, based on the American experience:

> ... it is possible that what applies to the United States may not apply wholly to Canada; but it appears to be shown here clearly that there are grounds for believing that the tendency of inferior

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> immigration (and nearly all immigration is, in the nature of things, inferior), is to lower the birth-rate of the native-born population. The nativeborn population, in the struggle to keep up appearances in the face of the increasing competition, fails to propagate itself, commits race suicide, in short; whereas the immigrant population, being inferior, and having no appearances to keep up, propagates itself like the fish of the sea.[9]

In the United States, Lothrop Stoddard referred to the above process of racial change by immigration as a kind of application of Gresham's law on money to racial demographics, where the "poorer of two kinds in the same place tend to supplant the better ... supplant, not drive out."[10] Both long-term and short-term demographic concerns were openly debated in the Canadian media at the turn of the century, as well as in the church pulpits, the halls of academia, and the houses of parliament. The prevailing trend of thought can be illustrated by quotations from selected commentators of that time.

J. S. Woodsworth and Immigration to the Canadian West

James Shaver Woodsworth was a Methodist minister who was strongly influenced by the Social Gospel movement, and turned to politics, where he became a founding father of Canada's first socialist party, the Cooperative Commonwealth Federation (C.C.F.), which later changed its name to New Democratic Party-N.D.P. Educated on both sides of the Atlantic, after his ordination Woodsworth worked at a street mission in the growing cosmopolitan western city of Winnipeg, Manitoba, and in 1909, in collaboration with A. R. Ford of the Winnipeg *Telegram,* he wrote "Strangers Within Our Gates: Coming Canadians." With its title based on Old Testament passages, "Strangers" has been hailed as a pioneer sociological study.

Many of Woodsworth's observations about the different classes of immigrants, and his recommended solutions, would be deemed "racist" today, but historian Marilyn Barber notes that "Woodsworth reflected the dominant ethos of his society: [which was that] Canada was, and should remain, an Anglo-Saxon nation ...," and that "as such Canada could embody the highest principles of Christianity and civilization."[11]

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Woodsworth, a churchman and later a socialist politician, believed that the best solution for non-British Caucasian immigrants was assimilation, but there was to be limits to their numbers, and no invasion of unassimilable types. Canada, he wrote, has "entered a new era in ... history." For the "immigrants are upon us!" He could only see in 1909 that immigration would continue as a "great tide ... to pour in upon us." The policies of the Government could either "quicken or direct the flow," but Woodsworth observed that "great economic laws rather than Government policy are responsible for the rise of the tide."[13]

Strangers Within Our Gates carried brief descriptions of the many ethnic types of immigrants and discussed what impact they had on Canadian society. Woodsworth applauded immigration from Great Britain. "Almost half a million (Britishers) have migrated to this part of the Greater Britain beyond the seas ...," with many having "readily taken their places in the life of the new land" and who can be counted among Canada's "best citizens." He added this description of their importance in the Western provinces:

> In India, it is said that English regiments are necessary to 'stiffen' the native army. We need more of our own blood to assist us to maintain in Canada our British traditions and to mould the incoming armies of foreigners into loyal British subjects.[14]

Immigrants from the United States were also "very desirable," since "they bring with them an ample supply of capital and energy."[15] The Scandinavians were classified as "very ambitious," were "anxious to become Canadian citizens," and were able "readily to adapt to Canadian ways...." Given their Minnesota pioneer experience, "they are bound to be a strong factor in the future of the (Canadian) West."[16] The Germans and Dutch were "among our best immigrants ...," for they "are 'easily assimilated,' and yet in the long run it would seem as if it is often the others who are Germanized ...."[17]

Assimilating Western Canada's large numbers of Ukrainians (called Galicians at that time) and other East European immigrants was a more difficult task. East Europeans were looked

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down upon, mainly because of the social problems they brought to the growing cities in Western Canada. The solution here was assimilation, since the East Europeans had the "physical endurance" for life on the prairies, and an eagerness to become "Canadianized."[18]

Woodsworth also regarded certain races of potential immigrants as being unassimilable, namely Negroes and Orientals. The latter will be dealt with in another section of this study, but the question of American Blacks migrating to the Canadian west did arise. Woodsworth noted that "we may be thankful that we have no 'negro problem' in Canada."[19] In 1911 some Blacks from Oklahoma attempted to settle but they were refused admittance. "At no time has the immigration of this race been encouraged by the government...." Wrote W.D. Scott, a Canadian Superintendent of Immigration:

> The negro problem, which faces the United States and which Abraham Lincoln said could be settled only by shipping one and all back to a tract of land in Africa, is one in which Canadians have no desire to share. It is hoped that climatic conditions will prove unsatisfactory to those new settlers, and that the fertile lands of the West will be left to be cultivated by the white race only.[20]

The later chapters of *Strangers* were dissertations on the problems and effects of turn-of-the-century Canada's massive immigration, with the author's own proposals for meeting the challenges. Woodsworth quoted a Canadian Immigration Commissioner named Watchorn, who said that between total exclusion and an open door there is a "happy middle path...of discernment and judgement."[21] For, according to American writer Prescott Hall, "... too many people are now coming over here ... too many of an undesirable sort ..."[22] At the time Canada adopted a more "progressive immigration policy," the United States saw the formation of restriction leagues, and exclusion laws were being enacted. As "the sluices are closed there," Woodsworth warned, "the flood will be diverted to Canada, whatever the policy of the Government may happen to be."[23]

As to the long-term effects of immigration, Woodsworth made

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use of Prescott Hall's *Immigration and Its Effect Upon the United States*. The effects were classified into four areas: racial, economic, social, and political. The readers were urged "to study carefully this problem, which is essentially the same for the United States and Canada."[24] Woodsworth was concerned about the effects of massive unchecked immigration, which could in the long run mean the alteration, or even the extinction, of an Anglo-Saxon Canada. In a section on the demographic effects, *Strangers* observed that:

> Canada will not remain Canadian. During the first half of the past century there came to be a fairly well-defined American type – that is, the true American had certain distinctive physical, mental, and social characteristics. But so great has been the alien immigration that it is a question whether the older American type will predominate ... We in Canada are at the beginning of the process, and can only speculate as to the result ...
>
> We can already perceive changes in Canada. The Westerner differs from the Easterner, not merely because East is East and West is West, but because of the mixed character of the population of the West. The character of the Eastern cities, too, is changing ... The people on the street differ in physique from those of a decade ago. Social distinctions, hitherto unknown, are being recognized. A hundred years from now who and what shall we be?[25]

Along with the demographic changes was the economic impact of cutthroat competition for employment between the immigrants and the native born. According to Hall's "exhaustive study": "Foreign labor stands as a constant menace to the progress of the American laborer." Improved working conditions attract immigrants, who would work for cheaper wages.[26]

Woodsworth further observed:

> Small wonder if trades and labour unions cannot view with equanimity the introduction of tens of thousands of Jewish and Italian workers in the Eastern cities, or of Chinese and Japanese or Hindus on the West Coast.[27]

Regarding the social effects of certain ethnic immigrant types,

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Woodsworth found that Hall had observed similar patterns in the American experience to those that he observed in Winnipeg. Woodsworth added that in his city in 1907 "immigrants are fairly prominent in the police court, more so than their numbers would warrant."[28]

In politics, Woodsworth (and Hall) saw dangers to the Anglo--Saxon form of parliamentary government as "our immigrants are making themselves felt in our political life." As the newcomers obtain the franchise, their votes would become too numerous to be disregarded. Since "the non-English" frequently settle in "colonies," they usually carry "the balance of power ..." Hall, noting the American experience, commented: "The heterogeneity of these races tends to promote passion, localism and despotism, and to make impossible free co-operation for the public welfare."[29]

In light of the above negative effects of open immigration, Woodsworth could only advocate a policy of restrictive immigration, as to which he wrote:

> We, in Canada, have certain more-or-less clearly defined ideals of national well-being. These ideals must never be lost sight of. Non-ideal elements there must be, but they should be capable of assimilation. Essentially non-assimilable elements are clearly detrimental to our highest national development, and hence should be vigorously excluded.[30]

Remembering that J.S. Woodsworth was a clergyman and later a socialist politician, there is no doubt that these excerpts from *Strangers Within Our Gates* are remarkably strong observations. Woodsworth was unquestionably a humanitarian, but he was not an adherent of the "equality" doctrine being preached by today's more socialist churchmen. All the different peoples were judged solely on their ability to assimilate into a liveable Anglo-Saxon Canada. The British and other North Europeans were readily assimilable. The Southern and Eastern Europeans were less easily assimilable; Blacks and Orientals were regarded as totally unassimilable. *Strangers Within Our Gates* carried many warnings as to the problems which would result from unchecked open immigration.

Arthur R. M. Lower and Academia

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Prior to the Second World War a number of Canadian academics were to be found among major voices opposing policies of open immigration. Arthur M. Lower was for decades a prominent and highly respected Professor of Canadian History at Queen's University, Kingston, Ontario. The summer 1930 issue of *Queens Quarterly* included an article by Professor Lower entitled "The Case Against Immigration". Rather than emphasize the social problems arising from unassimilable or semi-assimilable immigrants, Lower tackled the demographic impact of immigration on an indigenous population.

Using historical examples, Lower showed that Canada's population level had in the past been determined by availability of land for agriculture and/or employment opportunities in extractive or manufacturing industries. Immigration, without a corresponding growth in one of these factors, would not improve Canada's prosperity, but would instead displace the native born. The historical framework in the 1800 to 1930 period, according to Lower, revealed "three well-marked periods of population expansion, first with a half-century of rapid settlement and growth, then a half-century ... of consolidation, and a quarter century of swift development."[31] In the 1800-1850 settlement period, Canada's population did grow "rapidly," but this was not just the result of immigration. In the second period, which had a "considerably larger annual immigration than the first, population increased very slowly and emigration went on continuously."[32] In the period of 1900-1921, Canada's population "increased rapidly," with heavy immigration. "But, as in the earlier period, most of the immigrants went away again." Lower concluded as a general principle of population growth and development:

> Like all other things, the growth of human population is determined by natural law. Doubtless in a state of nature the numbers of the human species would tend over a long period to become stationary: they would respond to conditions in precisely the same ways as those of other species of animal. When food was abundant they would increase; when conditions were hard they would decrease through starvation and disease. Though they are obscured by the complications of our civilization, these basic principles still operate. Even in the most sophisticated modern countries,

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> population responds very directly to the means of subsistence ... Mankind responds to the means of subsistence as surely as the crops to the sunshine and the rain ...
>
> Two deductions regarding the growth of population in Canada may therefore be set forth: 1. Our population grows rapidly when there are large areas of fertile land available for settlement. 2. Otherwise, it will grow in proportion to the demand of the rest of the world for our products.[33]

Lower's central thesis was primarily that in a given geographical area there are limits to its desirable level of human population. As to what really causes population increases for a given country, Lower wrote:

> ... During the nineteenth century, nearly every important nation in Europe except France increased its population at a rapid rate, much more rapid indeed than the rate at which Canada was growing at the same time, but in no single case was there any dependence on immigration. On the contrary, during these years there were large emigrations from nearly all these countries. In some years Great Britain sent abroad several hundred thousands of persons, yet at the same time her own population increased by leaps and bounds. The same is true of Germany. Both these countries standing square in the stream of modern industrial development and well placed geographically met all their multifarious demands for men from their own stores and had great abundance to spare. Their increase in population was directly due to the increase in their productive capacity and in their markets. So will it be with Canada. It is very easy to get the cart of population before the horse of production and this unfortunately is frequently done ... We have been curiously blind to this rather obvious fact in the past, and Canadians seem to have been oppressed by a fear that if they did not import people constantly and in large numbers, the country would not be adequately peopled.[34]

As to the effects of immigration on the above trends, Lower added:

> ... except when we had large areas of vacant land to be filled up quickly, our immigrant population simply displaced the native

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born. This is a process that has been happening for years in Canada and is happening today. As we have ... retained some of the immigrants who came to us as well as some of our natural increase it is obvious that among those who left us were a great many of our native born. Probably as many as sixty or seventy percent of the people born in Canada in the decade of the [1880's] left the country. The immigration of the 'eighties, therefore, was not an accession to the population; it was simply the exchange of one set of persons for another....

The country, in short, may be likened to a ship which can carry comfortably only a fixed number of people, crew and passengers. If she takes on a number of passengers in excess of her complement, there is only one way of compensating for it: some of the crew must be left behind. We in Canada for sixty years past have been taking on so many passengers, that is, immigrants, that we have had to keep leaving many of the crew behind. To provide room in the ship of state for immigrants, we have had to embark a large proportion of our own children for the voyage of life in another vessel, the good ship United States.[35]

Lower concluded his case against immigration briefly by saying that it is "unnecessary" except "under exceptional circumstances which are not likely to recur again ...." He further claimed that Canada has "sufficient manpower to develop its resources."[36] He further disputed the claims that because of having a large land mass Canada was "underpopulated." Lower countered with his claim that given its vast Arctic lands, and smaller habitable lands, Canada was really "overpopulated". "Nature seems to maintain a very nice balance between the number of people in a region and the number of people which that region can support." Immigration would only displace native-born Canadians to the United States.

Like J.S. Woodsworth and Prescott Hall, Lower cited the economic consequences of "Gresham's Law of Immigration." The readers already knew of its application to Orientals, meaning that "white labourers cannot compete with the Oriental" and hence exclusion was needed to prevent the country being swamped by Asiatics. Lower carried this argument further, writing:

But whether they be of different race or not, 'cheap' men will always drive out our 'dear' men. The man with the higher standard

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> of living cannot compete with the man with the lower. In this sense, virtually all immigrants are 'cheap' men, for on arriving in this country they are not in a position to bargain for the sale of their labour. They must get a livelihood on what terms they can...[Immigrants] compete with the Canadian and innocently displace him in many walks of life. The result is that the people born in this country, because of competition with the immigrant, whether that immigrant be English-speaking or not, tend to go over the border in greater numbers than if there were no immigration."[37]

Professor Lower noted in conclusion that for "generations the Canadian people have been pursuing the will o' wisp of immigration."[38] Using this combination of history, demographics and human ecology, the Lower analysis concluded that often immigration will mean some kind of displacement of the "native born." Professor Lower's contribution to the immigration debate was significant, and interest ran high. Indeed, his article was only one of twenty-one articles on immigration in the prestigious *Queens Quarterly* from 1893 to 1953. Rev. George Grant, the Principal of Queens University and well-known advocate of a united Canada, contributed a brief paper in 1896 critical of the Oriental influx,[39] and in 1929, W.A. Carrothers wrote "The Immigration Problem in Canada," which forcefully argued for restrictive immigration policies.[40]

British Columbia and Oriental Immigration

Canada's most western province had, at the turn of the century, a unique problem concerning the immigration of Asiatics. Woodsworth dubbed this problem as being "peculiarly its (B.C.'s) own...," and further noted that it was "difficult for the rest of Canada to really appreciate the problem." He continued:

> As long as immigration from the Orient was confined to a few odd Chinamen a year, who were quite content to do work distasteful to a white man, no particular objections were raised. It was when the Japanese and Hindus started pouring into British Columbia by the thousands that the trouble arose. During the last year and a half nearly ten thousand Japanese and from four to five thousand Hindus have entered the Coast Province. When it is considered that the population of British Columbia is only 250,000 not even the population of Toronto –, it is not to be wondered at

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> that the people of that province, especially white labor, took alarm at the hordes pouring in by the steamer load. If this were to continue, the millions of the far East would swamp the country west of the mountains. If the cities of Montreal and Toronto were to see a thousand Japanese a week landing on their docks, they would probably have more sympathy with the people of the far Canadian West...
>
> Certain objections hold good with regard to all these Eastern peoples. It is true that they may be able to do much of the rough work, for which it is difficult to secure sufficient white labour; but where they enter, the whites are out, and out permanently. They constitute an entirely distinct class or caste. They have their own virtues and vices; their own moral standards and religious beliefs. The Orientals cannot be assimilated. Whether it is in the best interests of Canada to allow them to enter in large numbers is a most important question, not only for the people of British Columbia, but for all Canadians.[41]

Again Woodsworth expressed a common fear of 'White Canada' being swamped by Asia's millions. Chinese 'coolies' were first imported into the province in the 1870s to work the coal mines on Vancouver Island, and then entered in further numbers to work the Canadian Pacific Railway. The white working class, concerned about losing their jobs to the Chinese who would work for cheap wages, raised many protests. *The National Monthly of Canada* (June 1902) said that "while thus encouraging desirable immigrants, the Government will use increased vigilance in keeping out aliens ...," with the observation that there "... is a strong feeling against the Chinese."[42] Starting in 1884, the B.C. legislature passed laws to exclude the Chinese, only to have these disallowed by the federal government as being unconstitutional. To a small extent the federal authorities restricted Chinese immigration by way of head taxes, a measure which, however, was often circumvented by business interests which sought the cheaper labour.

In the early 1900s the Oriental problem became more complex with the increasing influx of East Indians and Japanese. Protests from white workers were intensified, especially during the depression of 1907, and trade union leaders, following the lead of their American counterparts, formed branches of the San Francisco-based Asiatic Exclusion League in a number of B.C. cities.

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In the summer of 1907, the immigration issue was vigorously reported in all segments of the B.C. press, including the news dailies, the weekly tabloids or the monthly magazines. For example, *The Daily Colonist* of Victoria (the provincial capital) carried headlines complete with the names of the steamships: WOOLWICH BRINGS FEW JAPANESE and INDIANA BRINGING MORE JANANESE. Further north in Vancouver Island's mining communities, *The Nanaimo Daily Free Press* carried frontpage headlines like: JAPANESE ARE GOING TO SWARM INTO B.C. This story stated that since "the Canadian-Japanese Treaty (because Japan was an ally of the British Empire) came into effect the Japanese Government has removed all previous restrictions upon immigration to the Dominion."[43]

The B.C. press warned that the Japanese influx was in reality an "invasion." With a nationally-minded press, there was a cry to preserve the province as "a white man's country." THE JAP IN CANADA, was the title of a 1907 summer editorial in *The Vancouver Sunset*. In claiming to represent "the sentiment of 90 per cent of the white population" of B.C., the editorial stated:

> ... neither Japs nor Chinamen are wanted in this country. The only excuse that can be advanced for their presence is that they are needed for certain kinds of work. That argument applies with greater force to Chinamen than it does to Japs. A Chinese coolie is satisfied to remain one and he does not aspire to anything else. He is content to be a gardener, a cook, a scavenger or whatever nature designed him for, and to remain one.
>
> Let the Jap have full fling in this country, and in a few years he will soon change the complexion of the province from white to brown.[44]

The fears of short-term social problems, and of the long-term extinction of European civilization caused by an unchecked flood of unassimilable immigrants, were very real to British Columbians at the turn of the century.

By mid-August 1907, the Asiatic immigration issue was taken up by the politicians of the major parties. One Member of Parliament, (M.P.) R.G. MacPherson, told a rally organized by the A.E.L. that "the Japanese had driven white men from the salmon fishing industry"[45] and from the saw mills. Another M.P. added that "Unless

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the immigration of Japanese is prevented ... the men of that race would soon control the labour market."[46] Along with his fellow M.P.s, Mr. MacPherson pressured the federal Minister of the Interior for action on the matter. The Minister replied that he personally believed that "this should be a white man's country." [47]

It was the September 8, 1907 riot in Vancouver that brought B.C.'s unique problem to national attention. The A.E.L. organized a rally in front of the City Hall which swelled, according to some estimates, to as many as 30,000 participants. Following the rally, some of the participants clashed with Chinese and Japanese immigrants, causing injuries and property damage. The reaction of the press was two-fold. *The Nanaimo Daily Free Press*, for example, lamented that "riots will do no good...[since] mob action is always to be scorned ...," but the same paper also stated:

> Now that the seriousness of the problem is realized, and all of Canada is alive to the fallacy of taking to herself a race who will ever be alien, our quarrel is no longer with the Orientals, just as long as we can take measures that will lead to prohibiting their entry into Canada.[48]

Victoria's *Daily Colonist*, under the headline HOODLUMS DISGRACE THEIR CITY agreed that:

> "... it may be economically objectionable to permit a large influx of Japanese laborers into Canada, at least [we] think so ..."[49]

In the large eastern city of Toronto, the press paid major attention to the issues which the riots brought to the forefront. "The fat is in the fire," read the weekly *Saturday Night*, which further noted that if the Japanese were "lodged in British Columbia in large numbers" they would clan together, "and drive a brown wedge into this white nation."[50]

News of the Vancouver riot reached London, England, at which time *The Pall Mall Gazette* editorialized:

> If an unrestricted flood of Asiatics were allowed to occupy the vacant hospitable areas, it would require but a few years to produce an Oriental predominance in the fairest and richest possession of

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the British Empire, and perhaps deflect the entire course of its civilization and destiny.[51]

The *Christian Guardian*, a Canadian Methodist Church weekly, also carried an editorial observing that "the mob has done its work," and that "the Federal authorities will now be compelled to give this whole question of Asiatic immigration the honest and earnest consideration that it has long deserved and not received."

Unlike the present attitude of most Christian churches, this pastoral letter insisted that "some limitation of Asiatic immigration must be made ...[for] the preservation of our national ideals, and of the keeping of this Dominion intact, as the white man's country."[52]

In finally realizing the seriousness of the situation, the federal government responded by sending Labour Minister Ralphe Lemieux to Tokyo to negotiate an immigration settlement with top-level Japanese officials. Deputy Labour Minister MacKenzie King was dispatched to the west coast to investigate the damages and causes of the riot. King, who later became a Canadian Prime Minister, concluded that desires to restrict Asiatic immigration would be "natural" and that "Canada should remain a white man's country." This was deemed not only "desirable for economic and social reasons, but highly necessary on political and national grounds."[53] Since Japan was an ally of the British Empire, Japanese immigration was not totally halted but a "gentleman's agreement" was obtained which limited the numbers of Japanese entering Canada to 400 persons a year.

However, the case of the East Indians was different. They were subjects of the British crown and hence were legally free to migrate anywhere in the British Empire. This legal problem was dealt with by the "continuous passage" law. Indians were free to immigrate to Canada as long as they traveled on ships that sailed directly from India to Canada, but in 1907 there were no shipping lines that operated continuously between the two countries. Thus, immigration from India as effectively restricted to some 50 individuals a year for the next decade.

Canadian liberals of today paint these events as a "black mark," yet they recognize that the fear of the "yellow peril" threatening the existence of an Anglo-Saxon Canada was a commonly-held value until the 1960s. "To admit Orientals in large numbers would mean

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in the end the extinction of the white people," said B.C. Premier Sir Richard McBride in 1914; "and we always have in mind the necessity of keeping this a white man's country."[54]

Following the 1907 restrictive laws, British Columbians did not focus on the issue of Oriental immigration again until 1914; this time their concern was raised by the growing flood of incomers from India. In May 1914, the Japanese freighter 'Komagata Maru' sailed into Vancouver harbour with a human cargo of 376 Sikhs and Hindus, in a challenge to the Indian immigration rules. The ship was not allowed to dock and after two months of government inquiries and hearings the 'Komagata Maru' was escorted out to sea by a Canadian warship.

One of the most outspoken figures against the Asian influx during this crisis was Vancouver Conservative M.P. H.H. Stevens, who also saw the threat to the survival of Anglo-Saxon civilization. Stevens was a devout Methodist and an active crusader against gambling, prostitution, opium and other forms of racketeering. He was first elected in the 1908 federal election when he defeated fellow exclusionist R.G. MacPherson. In a 1911 election speech, Stevens presented this opinion on immigration:

> The immigrant from northern Europe is highly desirable ... the Asiatic, and I wish to emphasize this, is entirely undesirable.[55]

In 1912 Stevens wrote in the Toronto-based *Monetary Times*, in an article entitled "Should British Columbia Admit the Hindu?," that:

> The Hindus will not assimilate ... Their word is unreliable and this is so far established that many of our judges will not take their cases unsupported by white men ...
>
> British Columbia is opposed to Asiatic immigration because it retards the development of the country and makes impossible a happy, permanent, intelligent people. It also results in a large alien male population with much immorality, where there should exist a community of white families....[56]

During the time that the 'Komagata Maru' was anchored in Vancouver harbour awaiting the judgement of the Immigration

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Department's Board of Inquiry, Stevens was a featured speaker at an exclusionist rally. Here he spelled out warnings by noting the disproportionate population sizes of Canada and the Asian lands, pointing to the possible consequences for Canada if the 'Komagata Maru' passengers were admitted and were then followed with larger numbers. He told the Vancouver audience that:

> What we face in British Columbia and in Canada today is this – whether or not the civilization which finds its highest exemplification in Anglo-Saxon British rule shall or not prevail in the Dominion of Canada. I am absolutely convinced that we cannot allow indiscriminate immigration from the Orient and hope to build up a nation in Canada on the foundations upon which we have commenced our national life. I hold that no immigration is or can be successful unless it is capable of being assimilated and absorbed by the people of the country to which it comes and without any detriment to that country ...
>
> In the Orient, at our doors, there are eight hundred million Asiatics and mark you I care not how high a value they place on their civilization – it is distinct in all its features from that which we hold dear. Eight hundred millions – the least tremor from that source would unquestionably swamp us by weight of numbers.
>
> Why, there is no people in existence that can absorb one, two, three, four, five times their number and I ask you this – what state would British Columbia be in today if Asian immigrants had been allowed through its portals? Canada would be swamped with Orientals and there would be left practically not a vestige of the civilization of which we are so proud.[57]

This speech reiterates what British Columbia's press, politicians and public felt about immigration: Canada's Anglo-Saxon identity would be doomed to the history books.

The Orange Order

From the early nineteenth century up until the Second World War, the Loyal Orange Association, a major Protestant fraternity, stood as an important pillar in Canada's British identity. Until the 1960s, this organization carried considerable clout in federal politics and in that of some of Canada's provinces. Its membership produced two Prime Ministers of Canada, three Premiers of the

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province of Ontario, many Toronto mayors and countless other political, church and labour leaders. The Orangemen were a strong force in Canada's Conservative Party, and immigration was an issue on which it took a strong stand.

The Canadian Orange Order had originated as an aid society among the Irish Protestant settlers. Roman Catholic efforts to increase their numbers and thereby to change the demographics were viewed by Orangemen with suspicion. The French settlement in Ontario and the West in the latter part of the 1800s was one such perceived example. Protestant immigration from Ontario to the West was encouraged from the 1870s on to the early 1900s as a counter to this "threat."

East European immigration was not ignored by many Orangemen, who feared the Balkanization of Canada and the loss of Canada's British identity. Thus the Association raised the issue in the 1911 federal election. A "Protestant Platform" was drafted in Winnipeg by the Orange leadership, and advocated this policy in respect of future immigration:

> A close supervision of all new settlers and the encouragement of suitable white emigration from the British Isles, the United States and northern Europe.[58]

The platform was sent to all Orange locals and, according to R.S. Pennefather's *The Orange and the Black*, proved helpful in ensuring a Conservative election victory. With members in B.C., the Orangemen were more concerned about the Oriental influx. In June 1907, the Order held its annual meeting in Vancouver. News of the September riots prompted *The Orange Sentinel and Protestant Advocate* (the Order's Toronto-based weekly publication) to produce an editorial under the heading THE YELLOW PERIL IN B.C.:

> While mob violence is not to be condoned in any cause, it is impossible to withhold sympathy from the people of British Columbia who are trying to preserve that province as a white man's country. It is unfortunate that the sentiment of the coast cities has failed of recognition until a riot occurred. This is due no doubt, to the awkward character of the question. It is one from which politicians naturally shrink instead of facing it courageously and

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> seeking for a solution that would be satisfactory to Canadians and acceptable to the Japanese. It seems that all parties must recognize that unrestricted immigration of the yellow races cannot be allowed to continue. From that standpoint an agreement may be reached. If the Japanese attempt to invade Canada in numbers sufficient to overwhelm the whites, there will be grave danger of more serious outbreaks. It is the duty of the Government to take measures to prevent this ... We hope most sincerely that there will not be a recurrence of the rioting, but we feel that this must depend upon a recognition by the Federal authorities of the unanimous sentiment of the whites in the Province.[59]

Since World War II, the Orange Order has declined drastically in terms of both membership numbers and influence. Its goal of a British and Protestant Canada now seems so far distant as to be no longer practicable, but its past observations on the long-term problems of immigration reveal that there was once a strong national feeling in Canada. The memory of this still exerts itself in present-day Canada, where the Northwest European element is shortly to become a minority, as a quarter of a million new immigrants, mostly non-European, enter the country annually.

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Will America Drown?

Immigration and the Third World Population Explosion

Editor: Humphrey Dalton

"Massive illegal immigration will continue as long as the Federal Government continues to reward it ... providing incentives to illegal immigrants to violate U.S. immigration laws ... Two-thirds of all the babies born in Los Angeles County are born to illegal immigrant parents.

PETE WILSON *Governor of California*

The unprecedented population explosion in the Third World today threatens to swamp the U.S. with illegal immigrants attracted by the U.S. "welfare magnet." This book reveals the facts about the mounting tide of international migrants, illegal as well as legal, and tells how illegal immigration *can* be controlled.

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Can the U.S. Assimilate the Growing Waves of New Immigrants?; Invasion U.S.A.: The Farce of "Political Asylum"; The "Family Unity and Employment Opportunity Immigration Act" of 1990; America: Candy Store with a Broken Lock?; "Today California: Tomorrow America?"; The Economic Costs of Immigration; Immigration and Crime; "Hey, Hey, Ho, Ho, Western Culture's Got to Go!"; Multiculturalism: Its Implications for a Free Society; Are Some Immigrant Populations More Susceptible To Crime Than Others?; The End of History: Chaos?; Stopping Illegal Immigration; Appendix: A Chronological History of the Principal U.S. Immigration Laws.

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The Public Rate of Return on Investments in U.S. Higher Education

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That higher education can be thought of as an investment by both individuals and public entities is a well-established notion. A large body of literature is devoted to the calculation of rates of return to individuals on their investments in higher education. The human capital model of individuals investing in higher education and, in the process, becoming more productive and being rewarded with higher lifetime earnings has been much debated theoretically and oft tested empirically. Much of the literature devoted to this model now investigates the differential returns by gender and or race. Less attention has been given to the study of the investment aspects of public expenditures on higher education and the differential returns by localities.

Given the present thrust for accountability and assessment in higher education, it appears likely that more attention will be given to the measurement of public returns on educational expenditures. For the purpose of this paper we assume that states, like individuals, might invest in higher education expecting a return on their investments. We offer a method of calculating public rates of return and analyze differences in these returns across states and regions.

We note that there are wide differences in the returns across states and that the variability of returns across regions within the

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United States is greater than the variability within regions.

Literature Review

A review of past work in this area should prove useful to distinguish the current research and to illustrate the ongoing interest in the potential benefits of public expenditure on higher education. Theodore W. Schultz (1961) was one of the first theorists to attempt to measure the impact of education on the public sector: specifically its impact on economic growth. According to Schultz, the typical sources of growth were labor force size and physical capital. Schultz concluded that since the real national income had increased at a rate greater than either of these two factors separately or combined, that much of the economic growth remained unexplained. Rather than assuming that the residual was the result of technological change, he attempted to explain some or all of it as a result of human capital formation in the form of education.

Schultz found, using a measure based on the per capita real cost of education, that the educational stock of the population as a whole increased by a factor of 7.44 from 1900 to 1957 and that the educational stock of the labor force grew by a factor of 8.49 over this same period. He compares these increases to the increase in the stock of "reproducible nonhuman capital" by a factor of 4.5 over this time period. By adjusting for changes in the stock of human capital and real income between 1929 and 1957 (real income approximately doubled between these years), Schultz concludes that 36 to 70 percent of the changes in labor's share of the real national income can be attributable to changes in the stock of human capital. The exact share depends on the individual rates of return to investment in education.

In a later article, Schultz (1962), using the same data, suggests that the ratio of the stock of physical capital to income was basically constant over long periods of time while the stock of human capital was increasing relative to income. From this he concludes that the economic growth enjoyed was a direct result of investment in human capital.

Edward Denison (1971) also attempted to create a measure of the effects of education on economic growth. Denison measured

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earnings differentials for various levels of education assuming that those with higher levels of education are more productive. Differentials were then applied to the aggregate increase in schooling to weight the effects of additional schooling on labor quality. This provided a measure of productivity changes that result from additional education. Using data from 1925 to 1957 he finds that 23 percent of the total economic growth in national income could be explained by improvements in the quality of labor resulting from additional schooling. In a later study which used the same methodology on data from 1950 to 1962, Denison (1974) found that the percent of economic growth attributable to increases in schooling had fallen to 15 percent.

Neither Schultz nor Denison established sound cost estimates upon which to base their rates of return. They both used income differentials to weight the productivity value of additional education. Schultz used rate of return estimates from Gary Becker while Denison used actual income differentials to weight the growth in education level of the labor force. The correctness of this methodology depends on the assumption that workers are paid an incremental wage that is based on their marginal productivity. Various institutional factors might invalidate this assumption.

George Psacharopoulos (1972) uses a Denison type approach to explain growth in Hawaii between 1950 and 1960. He concludes that changes in labor quality during this time period contributed 16 percent to economic growth. This is close in line with Denison's findings.

In later studies (1973 and 1985) he calculates private returns taking into account only private costs (including the opportunity costs of foregone earnings) and the after tax real income as a result of the investment. The social rate includes the private costs with the public costs of education and computes the return in terms of real gross income (including taxes).

Expenditures on education, whether they are public or private, are eventually attributable to some individual. This is the reason behind using the sum of all marginal earnings before taxes for a given population as the social return. The cost basis for the rate of return estimate utilizes all costs, both public and private. This differs from similar work done earlier by Lee W. Hansen (1963)

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where Hansen distinguishes between private returns and total returns (private plus social returns).

Using this methodology Psacharopoulos finds that within various countries private returns to educational investment are largest for primary education and lower as individuals progress through the educational hierarchy. These diminishing returns to educational investment are found to be even larger for the social rates of return.

He also finds that returns to education increase beyond some level of per capita income in a given country. Countries with high levels of per capita income experienced higher returns than poorer countries. Psacharopoulos concludes that investments in education compliment high levels of technology and physical capital which exist in wealthier countries. Domestically this might suggest that states with higher levels of physical capital expenditures, both private and public, may experience higher returns to human capital investments.

Methodology and Data

The state potentially has many goals in its efforts to subsidize higher education. It may be trying to bring forth the socially optimal amount of investment in higher education which in the absence of the state might not occur due to the positive externalities associated with education. Alternatively, the state might view education as a means of achieving equality of social, political, and economic opportunity. This view establishes education as a proper function of government. In addition, we suggest that governments invest in higher education hoping for a return on their investment. Just as governments have long invested in the capital infrastructure towards the goal of increased growth and thus increased revenues, so too, this might be the motivation behind public expenditures on education.

In calculating the public return on educational expenditures we must carefully delineate the expenditures and the benefits accruing from those expenditures. Government expenditures on education include capital and operating expenditures as well as subsidies through scholarships and loan funds. Operating expenditures are spending on current activities. These include supplies, teacher

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salaries, transportation costs, and so on. These current costs qualify as investment expenditures since they potentially yield future returns in the form of economic growth. Capital costs include such things as new buildings and equipment, or improvements to existing capital.[2]

The cost data for each state was collected from *The Digest of Education Statistics* (1986, 1987, 1988). This digest contains annual expenditures on higher education by state. In order to smooth one year swings in state expenditures, the rates of return calculated are based on the simple average of expenditures by states on higher education over a three year period.[3]

Measuring the benefits derived by a state's expenditures on higher education is a more complex task. We do so by estimating the income differentials between high school and college graduates in each state. Each differential is then weighted by the number of college graduates in the state. We assume that the monetary benefit derived by the state is the additional tax revenues collected from a college graduate as compared to a high school graduate and therefore we apply state specific tax rates to each differential to determine the state benefit.

The income differential between high school graduates and college graduates in each state was estimated by using data on the average wage of production workers by state obtained in the *Statistical Abstract of the United States.* This average state wage was multiplied by 40.6, the average hours worked per week inmanufacturing in 1985, and 50 weeks for a year to obtain an estimate of the average annual salary of high school graduates.[4]

The estimate of the average annual salary of college graduates by state was obtained by calculating the present value of the costs of obtaining a college degree in each state (out of pocket costs plus foregone earnings as measured by the average high school earnings estimated above) and then applying a 23% rate of return to those state specific costs. A private rate of return from investment in higher education of 23% is consistent with the findings in empirical research in this area (e.g. Burtless, [1990], Kosters, [1991], Bound and Johnson [1989], and Psacharopoulos [1985]) and reflects the substantial increase in the rewards to higher education which were experienced in the 1980s.

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Table 1

MARGINAL AND TOTAL TAX RATES BY STATE, 1985

	Total Tax Rate as Percent of Personal Income	Top Marginal Income Tax
Alabama	6.82%	5.00%
Alaska	19.85	0.00
Arizona	7.22	8.00
Arkansas	7.06	7.00
California	6.83	11.00
Colorado	4.77	8.00
Connecticut	6.09	0.00
Delaware	9.17	10.70
Florida	5.05	0.00
Georgia	6.03	6.00
Hawaii	9.34	11.00
Idaho	6.55	7.50
Illinois	5.43	2.50
Indiana	6.34	3.00
Iowa	6.36	13.00
Kansas	5.67	9.00
Kentucky	7.48	6.00
Louisiana	7.64	6.00
Maine	7.28	10.00
Maryland	6.20	5.00
Massachusetts	6.94	5.00
Michigan	7.02	5.35
Minnesota	8.85	9.90
Mississippi	7.55	5.00
Missouri	5.03	6.00
Montana	7.04	11.00
Nebraska	4.88	9.50
Nevada	6.92	0.00
New Hampshire	2.91	0.00
New Jersey	5.93	3.50
New Mexico	9.11	7.80
New York	7.25	13.75
North Carolina	7.15	7.00
North Dakota	8.34	9.00
Ohio	6.09	9.25
Oklahoma	7.38	6.00
Oregon	5.85	10.00

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Pennsylvania	6.38	2.35
Rhode Island	6.39	11.58
South Carolina	7.72	7.00
South Dakota	4.49	0.00
Tennessee	5.60	0.00
Texas	5.23	0.00
Utah	7.65	7.75
Vermont	7.06	13.25
Virginia	5.38	5.75
Washington	7.49	0.00
West Virginia	9.42	13.00
Wisconsin	8.07	10.00
Wyoming	12.03	.00

Table 2

MONETARY RETURN AND RATE OF RETURN BASED ON INCOME TAX RATE

	Monetary Return ($)	**Rate of Return**
Alabama	20,676,420.52	2.32%
Alaska	-0-	-0-
Arizona	33,480,831.12	3.83
Arkansas	11,579,126.70	3.14
California	333,890,694.21	5.00
Colorado	38,907,422.47	4.76
Connecticut	-0-	-0-
Delaware	9,728,637.33	4.66
Florida	-0-	- 0-
Georgia	33,205,476.36	3.31
Hawaii	9,375,415.94	3.31
Idaho	6,075,023.40	2.95
Illinois	40,474,695.84	1.98
Indiana	25,690,478.75	2.27
Iowa	55,807,547.46	6.75
Kansas	30,777,803.67	4.86
Kentucky	21,542,235.45	3.16
Louisiana	28,806,802.39	3.23
Maine	13,587,809.50	7.26
Maryland	29,282,565.09	3.04
Massachusetts	66,615,346.21	9.50

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Michigan	76,257,647.47	3.48
Minnesota	61,045,014.60	6.33
Mississippi	10,044,306.81	1.95
Missouri	39,909,497.19	5.33
Montana	12,870,438.49	7.93
Nebraska	20,724,791.41	5.34
Nevada	-0-	-0-
New Hampshire	-0-	-0-
New Jersey	28,969,562.53	2.64
New Mexico	10,053,919.72	2.46
New York	452,078,218.51	15.29
North Carolina	38,663,783.79	2.70
North Dakota	8,107,283.46	3.60
Ohio	147,419,194.94	7.22
Oklahoma	21,361,597.94	2.82
Oregon	33,430,311.24	4.93
Pennsylvania	44,874,687.11	3.65
Rhode Island	27,857,058.83	15.56
South Carolina	22,875,004.61	3.49
South Dakota	-0-	-0-
Tennessee	-0-	-0-
Texas	-0-	-0-
Utah	24,220,039.34	5.01
Vermont	19,822,442.24	13.18
Virginia	42,082,720.60	3.61
Washington	-0-	-0-
West Virginia	30,670,424.26	9.58
Wisconsin	69,276,191.23	4.91
Wyoming	-0-	-0-

Table 3

MONETARY RETURN AND RATE OF RETURN BASED ON TOTAL TAX RATE

	Monetary Return ($)	**Rate of Return (%)**
Alabama	28,185,479.53	3.16
Alaska	5,346,752.95	1.98
Arizona	30,208,654.30	3.45
Arkansas	11,686,278.83	3.16
California	207,459,940.31	3.11
Colorado	23,190,123.41	2.84
Connecticut	29,977,948.90	7.31

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Delaware	8,336,205.04	3.99
Florida	45,942,632.23	3.00
Georgia	33,389,951.22	3.33
Hawaii	7,956,844.29	2.81
Idaho	5,308,413.30	2.58
Illinois	87,882,468.99	4.31
Indiana	54,298,053.77	4.81
Iowa	27,282,901.46	3.30
Kansas	19,375,244.58	3.06
Kentucky	26,843,157.74	3.94
Louisiana	36,659,745.88	4.11
Maine	9,895,469.96	5.29
Maryland	36,315,422.18	3.78
Massachusetts	2,465,452.25	13.18
Michigan	100,064,432.43	4.57
Minnesota	54,546,024.77	5.66
Mississippi	15,166,903.28	2.95
Missouri	33,477,636.28	4.47
Montana	8,241,709.37	5.07
Nebraska	10,651,733.67	2.74
Nevada	3,645,475.04	2.46
New Hampshire	5,522.255.35	4.09
New Jersey	49,070,891.63	4.47
New Mexico	11,739,362.60	2.87
New York	238,489,476.45	8.07
North Carolina	39,491,913.56	2.75
North Dakota	7,510,361.65	3.33
Ohio	97,036,413.23	4.75
Oklahoma	26,278,995.48	3.46
Oregon	19,555,252.86	2.89
Pennsylvania	121,813,938.75	9.92
Rhode Island	15,366,952.86	8.58
South Carolina	25,219,738.74	3.85
South Dakota	4,227,625.87	3.34
Tennessee	24,282,931.55	3.14
Texas	87,214,752.47	2.31
Utah	23,917,458.20	4.95
Vermont	10,564,297.23	7.02
Virginia	39,406,532.92	3.38
Washington	42,738,416.88	3.90
West Virginia	22,227,375.02	6.94
Wisconsin	55,884,265.09	3.96
Wyoming	5,338,679.40	2.79

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The difference between our estimate of the average annual earnings of high school graduates and our estimate of the average annual earnings of college graduates is our earnings differential.

To obtain a public rate of return we now derive a migration weighted number of college graduates per state by multiplying the total number of college graduates per state by the average annual migration rates per state.[5] While it would have been ideal to use state specific migration rates of college graduates, such data were not available. Our migration rates include both college graduates and noncollege graduates and, to the extent that college graduates are more likely to migrate than the average citizen, these gross migration rates underestimate the amount of migration. Across states, however, they are a good estimate.

We now have expenditures on higher education by state, income differentials by state, numbers of college graduates by state, and have only to determine the appropriate tax rate to apply to obtain a public rate of return on investment. The logical tax rate to use would be the marginal income tax rate by state since our public benefits are income differential based. In 1985, however, ten states did not have a marginal income tax. It was decided that we would calculate rates of return based on marginal tax rates (giving those ten states a zero rate of return) and total tax rates. The state's total tax rate was calculated as total tax receipts (including sales, income, property and other taxes) as a percent of personal state income. Marginal and total tax rates by state are reported in Table 1.

The monetary return to each state was thus calculated twice. First using the marginal income tax rate and second using the total tax rate. The monetary return is:

$$M = I \times G \times T$$

where M is the monetary return, I is the income differential, T is the appropriate tax rate, and G is the migration adjusted number of college graduates per state. This number gives us an estimate of the total return to each state in actual dollars. Since it is based on tax rates it can truly be thought of as a return to the public. The monetary return to the public is the additional tax dollars that

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are generated by income differentials between college and high school graduates.

Finally, again using both tax rates, we calculate two rates of return on public investment in higher education by dividing M by the expenditures by each state government.

$$RoR = M/C$$

where RoR is the public rate of return, M is the monetary return and C is total state expenditures on higher education.

Empirical Results

The monetary returns and the rates of returns by state described in the previous section are reported for marginal tax rates and total tax rates in Tables 2 and 3, respectively.

The first thing that is of note about these rates of return is that they are so low. Less than one-fifth of the states meet what would be considered an acceptable rate of return by most investment criteria. Of course investment criteria vary depending on preference for risk, uncertainty, and liquidity. Given the risk involved in the state's investment (because of brain drain) and the illiquid nature of human capital assets, it is probably a fair conclusion that these rates of return are subpar. These findings lend support to the notion that states expend resources on higher education for reasons other than investment.

Two correlation methods were used to analyze the results. First a Spearman rank correlation coefficient of .51 with a t statistic of 3.66 was calculated between the ranks of the rates of return based on the two different tax rates. This represents a relatively small, albeit significant, positive correlation between the state rankings of rates of return from highest to lowest.

We also used correlation analysis to examine the relationship between tax rates and rates of return. The simple correlation between the marginal income tax rate and the rate of return for states that have an income tax was .70 with a t statistic of 5.98. We find that higher income tax rates are associated with higher rates of return. Of course, this is partially a result of the rate of return being based on the tax rate but the higher tax rates could

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theoretically be associated with lower rates of return if, for instance, they caused massive migration out of state.

To test the hypothesis that rates of return are constant across regions we use analysis of variance. Average rates of return were calculated for each of the nine census regions.[6] For marginal tax rates the within region variability in rates of return is larger than the across region variability in rates of return when we include those states that have zero marginal rates. This leads to an F statistic of 1.77 with a critical F of 2.89 at the 1% level leading us to not be able to reject the hypothesis that average rates of return are equal across regions.

The outcome is just the opposite with total tax rates. Here the within region variability is lower than the across region variability in rates of return. The calculated F statistic is 6.91 with the same critical value, leading us to reject the null hypothesis of equal average rates of return across regions.

Given the impact of the states without marginal income taxes on our results, we performed the marginal tax analysis of variance again on just those states with a positive marginal income tax. In this case we find results similar to those in the total tax case. The calculated F statistic is 3.19 and the critical F is 3.10. Excluding those states without a marginal income tax leads us to reject the hypothesis that the average rate of return is equal across census districts.

One of the findings of interest in this analysis of variance approach is that the within region variability in rates of return on educational expenditures is lower than the across region variability. We suspect that this owes to the fact that these rates of return are based on tax rates. Recall that there was a large and significant correlation between tax rates and rates of return by state. With states in competition most keenly with neighboring states we would expect that within-region tax structures would be more similar than across-region tax structures. This would lead to within-region rates of return with less variability than across-region rates of return. This is, indeed, what we find and this result contributes to our rejection of equal across-region mean rates of return.

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Conclusions

Based on our results, we must conclude that the additional tax revenues collected from college graduates as opposed to high school graduates does not represent the benefit to society of the public's investment in higher education. If this were the case then the public rate of return is woefully low in comparison to other acceptable alternatives. Of course, it must be noted that many state governments are limited as to the kinds of investments that can be made with tax revenues. These limitations would naturally lead to expected lower rates of return based on the common economic notion that a constrained maximization is at best not greater than, and potentially much lower than, an unconstrained optimum. We suspect, however, that states are not, in fact, motivated solely or even primarily by the profit motive inherently assumed by the current analysis.

Nonetheless, looking strictly at the monetary rate of return is revealing in several aspects. First, there are significant state by state differences in the rates of return owing not only to expenditure differentials but also to differential tax structures by state. Second, we note that across region variations in rates of return are higher than within region variations. This we attribute, in large measure, to our rates of returns being tax based.

Given the linkage between education and economic development we recognize the importance of being able to measure the impact of the one upon the other. Along with other economic development policies such as tax abatements, enterprise zones, and others, educational expenditures and the level and quality of education within a community has played an important role in several major industrial relocations. Regional variations in attitudes toward education, therefore, may impact on their ability to capture significant public returns to investments in education.

We naturally recognize the difficulty in, and weakness of, attempts to estimate public rates of return. Primarily we are concerned with the measurement of monetary return and the reliance on tax rates to obtain this measurement. Additionally, we see the need to more adequately control for migration, measures of the public opportunity costs of investing in education, investment versus consumption benefits from public expenditures on

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higher education, and the effects of privately provided higher education by states.

Future research might attempt to estimate rates of return while addressing the concerns raised above as well as others. For instance, the rate of return by state will be influenced by the amount of physical capital per state and attempts should be made to control for this effect. In addition, any progress in the ability to control for regional differences such as dependence on private education, macroeconomic variations, etc., will be helpful.

While we recognize the limitations of this type of study, we feel that a useful issue is raised in attempting to measure public rates of return on educational investments. Increased tax revenues, economic growth, social and political equality may all be stated rationales for the public sector's involvement in higher education, but ultimately we must attempt to measure education's impact on these goals or public support may wane. The current study hopes to contribute to the literature which is investigating these issues.

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1.1. An earlier version of this paper was presented at the 1991 meetings of the Southern Regional Science Association. The authors acknowledge the comments of the participants of those meetings and the particularly helpful comments of three anonymous reviewers. Additional comments were made by Dong W. Cho and Nancy Bereman.

2.Since the calculation of opportunity costs for a public expenditure is nearly impossible, these costs are exclusively out-of-pocket.

3.This, of course, includes spending on public research universities, teaching institutions, and community colleges. Since the rates of return might vary widely among these different institutions, we are calculating, in some sense, a weighted average return, where the weight depends on the proportion of the states' expenditures on each type of institution.

4.This estimate of the average high school graduate's earnings is biased to the extent that production workers earn more on average than the typical high school graduate. Since the earnings of the average college graduate are calculated from this base, however, the

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differential is less biased than it otherwise would be.

5.For example, the migration rate in Alabama for 1985 was -0.019%. When this rate is multiplied by the number of college graduates of 21,855, the number adjusts to 21,851.

6.The average rates of return based on marginal and total tax rates respectively in each region were 7.81 and 9.74 for New England, 12.13 and 10.195 for Middle Atlantic, 5.11 and 5.2 for South Atlantic, 5.44 and 6.14 for East North Central, 2.55 and 4.51 for East South Central, 6.32 and 5.06 for West North Central, 3.18 and 4.52 for West South Central, 4.59 and 4.6 for Mountain, and 3.64 and 4.06 for Pacific.

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BOOK REVIEWS

The American Revolution Resurgent
Raphael G. Kazmann
Scott-Townsend Publishers, P. O. Box 34070
N.W., Washington, D.C. 20043
Paperback, 186 pages, $15.00, 1993
ISBN 1-878465-06-6

Until his retirement in 1982, Raphael Kazmann was a professor of civil engineering at Louisiana State University. It is the tendency of a true intellect to range widely, with the result in Kazmann's case that he brings his practical wisdom to bear on issues of moral philosophy, political economy and economics. In this book, he has applied liberalism (in its classical rather than its twentieth century American statist sense) to a variety of contemporary issues. He has at the same time restated classical liberalism's fundamental theory in a semantic of "democracy" that is most attractive in our own century.

Several themes stand out:

First, he has drawn his philosophy from such classical liberal stalwarts as Frederic Bastiat, Alexis de Tocqueville, Ayn Rand, and the Austrian economists. So much does their thinking undergird his discussion that it is helpful to think of the book as at least in part an application of their analysis to current topics in American economics and politics. Readers will find the book an excellent contemporary primer on classical liberalism.

Kazmann holds steady with classical liberal premises, taking us back to fundamentals. This is very much a virtue in an age that tends so easily to proceed without reference to those fundamentals (such as Americans are doing with regard to the principle of federalism as more and more governmental functions come to be centralized in Washington, virtually without discussion of the whole issue of what used to be called "the division of powers").

The virtue has a corresponding vice, however. Kazmann does not extend the paradigm by sharpening his intellectual knife on the

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grindstone of the many objections that have been made to it. One of the characteristics of much twentieth century political thought is that it has been elaborated into highly refined nuances. (For example, Charles Reich in the 1960s was able to carry the Left's sociological critique of bourgeois society much further than Thorstein Veblen had three-quarters of a century earlier.) For the most part, this refinement and elaboration has not occurred within classical liberalism. This is due primarily, I think, to the defensive posture in which its intellectuals have found themselves for well over a century.

A second of the salient characteristics of the book is Kazmann's application of natural law theory. He argues persuasively that principles of society can be distilled from experience that are on a par with physical laws. Run contrary to them, and the consequences will be injurious – if not sooner, then later. Human beings cannot do with impunity just anything they decide to do; there are realities they must take into account. What are these realities? Kazmann finds them, as we would expect, in such insights of classical liberalism and of basic moral theory as "do not steal," "do not lie," and "do not murder," each of which has extended applications in a number of areas.

Third, Kazmann relates classical liberalism to "democracy." Vital to his argument is his contention that the most enlightened definition of that term necessarily involves, as a major ingredient, the society's on-going adherence to the principles of morality (i.e., of natural law). The reader will notice that for Kazmann this makes the substantive doctrines of classical liberalism virtually coterminous with democracy. (If anyone argues that this is simply an ideological preemptive strike, seizing for a certain philosophy the benefits of yet another of the great emotive words – like freedom, justice and equality – by which people guide their attachments, let it be answered that that is precisely what each of the other philosophies has done. There is no reason for classical liberalism to do any less. Whether the claim is valid or not must be judged by whether the philosophy as a whole is sound: if it is, its claim to the word is acceptable; if it is not, then the claim is spurious.)

Fourth, the book makes valuable contributions through the author's discussion of specific issues. His chronological history of

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the German hyperinflation of 1922-3 is astounding to anyone who hasn't seen it anywhere else before – as I haven't. He gives tables showing the growth of transfer payments in the United States, of Social Security rates, and of youth unemployment. Kazmann's background as an engineer makes especially rewarding his discussion of the problems inherent in water resource programs and in environmental protection. (It is almost providential that the great midwestern floods of 1993 came along when they did to show just how right his criticisms of government water programs have been.)

Always readable, always interesting, and relatively brief in its span of 186 pages, *The American Revolution Resurgent* deserves a wide circulation. It's a book that every American should read.

Dwight D. Murphey

Nations at the Crossroads:
Unification Policies for Germany, Korea and China
Diane Pikcunas
Council for Social and Economic Studies, 1993.
ISBN 0-930690-51-6. Paperback, $10.00

The last few years have brought enormous changes in the post-Second World War world including the collapse of the Soviet Union and Communism in Eastern Europe, the admission of both North and South Korea to the United Nations, the unification of Germany (with the destruction of the Berlin Wall), and the opening of a dialogue between Communist China (People's Republic of China) and the Republic of China on Taiwan. After decades of the Cold War, rapid change took place to alter the balance of power in the world.

Nations at the Crossroads provides an informative and thorough analysis of the three nation states left divided as a consequence of the war and the growing strength of Communism -- Germany, Korea and China. The author, Dr. Diane D. Pikcunas, who has traveled to both Chinas and South Korea, details the historic background of these countries, the reasons for these divisions, the growth of the respective societies, and the present

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day situation which has resulted in the unification of Germany and at least some movement toward discussion of Korea and China (though the latter two seem rather far off given the present Communist governments ruling the Communist zones). Most informative is the type of societies developed where, despite a disadvantage in resources, the free societies in Germany, Korea and China greatly advanced over the socialist-model economies in the Communist states. The best deal for the so-called masses was freedom, democracy, and capitalism and not socialism with state control over every aspect of life. The author describes the process leading to German unfication and makes clear that a unification benefitting the Chinese and Korean people will have to come under the democratic rather than Communist model.

The book is well-written, concise, insightful and informative on one of the key international problems facing the world. The book covers the military, economic, social and political dimensions of the countries under discussion. A very useful appendix is included by Dr. Jason Hu, presently Director-General of the Republic of China's Information Office, who discusses the approach of Taiwan on the unification question.

Dr. Pikcunas upholds her reputation as a scholar and writer in making clear and concise the puzzling world of Asian politics. The merit of this monograph has been recognized by the 1993 Award by the prestigious Freedoms Foundation of Valley Forge (Pennsylvania) with the George Washington Honor Medal for excellence in the category of Public Communications.

Donald J. Senese

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